

CITY OF NEWPORT, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended June 30, 2010

Prepared by:

**Finance Department
City of Newport**

CITY OF NEWPORT, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

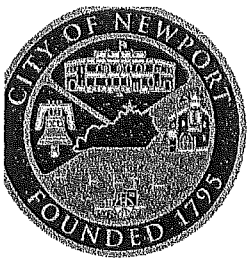
For the Year Ended June 30, 2010

CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal.....	1
Organizational Chart.....	7
List of Principal Officials.....	8
Certificate of Achievement for Excellence in Financial Reporting.....	9
Financial Section	
Independent Auditor's Report.....	11
Management's Discussion and Analysis.....	15
Basic Financial Statements	
Government Wide Statements	
Statement of Net Assets.....	25
Statement of Activities.....	26
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	27
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds.....	28
Reconciliation of the Statement Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	29
Statement of Net Assets - Proprietary Funds.....	30
Statement of Revenues, Expenses and Changes in Fund Net Assets	
Proprietary Funds.....	31
Statement of Cash Flows - Proprietary Funds.....	32
Statement of Fiduciary Net Assets - Fiduciary Funds.....	33
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	34
Statement of Net Assets - Discretely Presented Component Unit.....	35
Statement of Revenues, Expenses and Changes in Net Assets	
Discretely Presented Component Unit.....	36
Statement of Cash Flows - Discretely Presented Component Unit.....	37
Notes to Financial Statements.....	38
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	61
Budgetary Comparison Schedule - Revolving Loan Fund.....	66
Report on Internal Control Over Financial Reporting and on Compliance	
and Other Matters Based on an Audit of Financial Statements Performed	
in Accordance With <i>Government Auditing Standards</i>	67
Supplementary Information	
Budgetary Comparison Schedule - Community Development Fund.....	71
Budgetary Comparison Schedule - Capital Projects Fund.....	72
Combining Statement of Fiduciary Net Assets - Fiduciary Funds.....	73
Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	74

Statistical Section

Statistical Section Narrative.....	75
Net Assets by Component.....	76
Changes in Net Assets.....	77
Fund Balances - Governmental Funds.....	79
Changes in Fund Balances - Governmental Funds.....	80
Gross Wages by Category and Payroll Tax Collections.....	81
Direct and Overlapping Payroll Tax Rates.....	82
Principal Employers by Payroll Taxes Paid.....	83
Property Tax Levies and Collections.....	84
Legal Debt Margin Information.....	85
Ratios of Outstanding Debt by Type.....	86
Ratios of General Bonded Debt Outstanding.....	87
Direct and Overlapping Governmental Activities Debt.....	88
Pledged-Revenue Coverage.....	89
Demographic and Economic Statistics.....	90
Full-Time Equivalent City Government Employees by Function/Program.....	91
Operating Indicators by Function/Program.....	92
Capital Asset Statistics by Function/Program.....	93



City of Newport

January 28, 2011

To the Mayor, City Commissioners and Citizens of the City of Newport, Kentucky:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Newport for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Newport. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Newport has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Newport's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Newport's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Newport's financial statements have been audited by Van Gorder, Walker & Co., Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Newport for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Newport's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Newport's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Newport, founded in 1795, is located in the northern most part of the state, situated directly across the Ohio River from Cincinnati, Ohio and is part of the Northern Kentucky Region, which consistently ranks as one of the top growth areas in Kentucky. The City of Newport currently occupies a land area of 3 1/2 square miles and serves a population of approximately 17,000. The City of Newport is empowered to levy numerous sources of revenue including its major sources payroll license fees, business license fees, insurance premiums tax fees and a property tax on both real and personal property.

The City of Newport has operated under the City Manager form of government since 1932. Legislative authority is vested in the Board of Commissioners, consisting of the Mayor and four City Commissioners. The Board of Commissioners is responsible for, among other things, passing ordinances, adopting the budget, appointing members to various boards and approving the hiring of all full time employees. The City Manager reports directly to the Board of Commissioners and is responsible for carrying out policies and ordinances of the Board of Commissioners and is responsible for the development of short and long range planning, capital improvement programs and running the day-to-day operations of the City. The Board of Commissioners is elected on a non-partisan basis. The Mayor serves based upon a 4 year term and the City Commissioners serve based upon a 2 year term. The next election for the Office of Mayor and City Commissioner will be held on November 2, 2010.

The City of Newport provides a full range of services utilizing 115 full time and 33 part time/seasonal staff. These services include a full time nationally accredited police force and full time professional fire protection; advanced life support medic services; street maintenance and improvement; 13 parks, which include a full range of recreational facilities and activities; cultural events; planning and zoning; housing code enforcement; and general administrative services. In addition to these activities, the governing body is responsible for funding the Policemen's and Firefighter's Retirement Fund and City Employees' Retirement Fund as well as the Newport Foundation; therefore, these activities are included in the reporting entity. However, the Newport Independent School District and the Newport Housing Authority have not met the established criteria for inclusion in the reporting entity and accordingly are excluded from this report.

The annual budget serves as the foundation for the City of Newport's financial planning and control. All departments of the City of Newport are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Board of Commissioners for review. The Board of Commissioners' schedule budget work sessions and public hearings, which are held on the proposed budget. The final budget is adopted by July 1. The appropriations budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department with the approval of the City Manager. The City Manager can make transfers of appropriations between departments without the approval of Board of Commissioners. Expenditures may not legally exceed budgeted appropriations at the fund level. The Board of Commissioners must approve any revisions to the budget that would alter total revenues and expenditures of any fund. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. These comparisons are presented as required supplementary information starting on page 61. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e., project special revenue fund and the capital projects funds).

Factors Affecting The Financial Condition Of The City

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Newport operates.

Local economy. The economy in the Greater Cincinnati/Northern Kentucky Region has continued to lag over the past year, again negatively impacting total gross wages in the City of Newport. A drop in gross wages of \$7.8 million in fiscal year 2008-2009 was followed with another substantial drop during the fiscal year ended June 30, 2010 of more than \$8 million, or nearly 4%. The City has adjusted budget projections to account for these decreases and hopes to see positive growth from new developments during fiscal year 2010-2011.

Recent Development. Since 2001, the City has continued to develop its reputation as an entertainment destination in the Greater Cincinnati area. With attractions like Newport on the Levee, the Newport Aquarium and Hofbrauhaus Newport, the City has much to offer to visitors from across the region. In addition, several new restaurants and attractions have opened in recent years to add to the entertainment options. Star Lanes, a boutique bowling concept, invites visitors to enjoy fine dining fare or ride a mechanical bull, while the Ride the Ducks river tours give an amphibious tour of the area.

In 2003, the City began acquiring, clearing and redeveloping a 56 acre site in the Cote Brilliante neighborhood. In early 2007, the City sold the acquired land and entered into a development agreement with Bear Creek Capital, a Cincinnati based shopping center developer, to construct a new retail shopping area on this site. Construction on the site began in the fall of 2007 and the first of two main anchor tenants, a Kroger Marketplace, opened in December 2009. The second anchor tenant, Target, has completed its building and set an opening date of March 6, 2011.

During the past few years there have been 21 new upscale homes built on a hillside overlooking the Ohio River and downtown Cincinnati. These houses were featured in three different home shows and sold for prices ranging from \$600,000 to over \$2,000,000. In addition, in 2006 the city actively pursued the development of loft apartments in the downtown commercial area and in October 2007, 41 market rate loft style apartments were completed and has added significant market rate housing options in the heart of our central business district.

The SouthShore development is a \$45 million dollar project containing 65 upscale condominiums on the riverfront. This complex was fully completed in 2009 and more than 40 units have already been purchased. Discussions are currently ongoing to determine the feasibility of construction a second tower.

In November 2006, the City purchased the Housing Authority site just north of Fourth Street along the riverfront at the confluence of the Ohio and Licking Rivers and resold the property to Corporex Companies, a regional developer. The City sold the property for approximately \$2.4 million more than the price paid to the Housing Authority. The development plan presented by Corporex Companies is to construct over a 20 year period a first-class mixed-use development in the urban core. The site is planned to include approximately a thousand new housing units, one million square feet of office space, and provide additional lodging and entertainment amenities representing a total capital investment of \$800 million.

City initiatives. The past seven to eight years have been marked with significant accomplishments by the City. Many of these projects are ongoing and continuing initiatives.

- A Master Plan for the repair and replacement of City streets, sidewalks and curbs was implemented and resulted in one of the most comprehensive improvement programs in the City's modern history. Over \$6 million dollars in street, sidewalk, curb and slide improvements were completed in fiscal year 2003 and 2004.
- As a part of a Parks and Recreation Master Plan which was developed in fiscal year 2004 there was a complete renovation of Veteran's Park/Bartlett Field complex. The project work plan included a new drainage system, sidewalks, lighting, fencing, dugouts and field improvements.

In addition, maintenance work and improvements on the Newport Vet's Pool were completed in preparation for the Summer 2010 pool season, with help from Duke Energy in the form of grant funding. These improvements include new paint in the pool, offices and restrooms, as well as upgraded pumping and filtering equipment. Also, new pool

furniture was purchased to upgrade both the look of the pool and the comfort of the visitors.

The City has continued extensive repairs and upgrading to several of its' neighborhood parks in recent fiscal periods, including installation of new playground equipment and signage at Tim Freudenberg Park.

- The City of Newport participated in several partnerships with different non-profit entities to provide new housing for individuals of all income levels.

The City is currently working with the Newport Housing Authority in utilizing a \$1 million Community Development Block Grant to rehabilitate present housing and construct new dwellings on Hamlet Street. Work on these dwellings continued steadily during this fiscal year and completion is expected during fiscal year 2010-2011.

In addition, the City is collaborating with the Housing Authority to construct additional housing in South Newport in the 18th and 19th street area with the aid of additional grant funds. Construction on these dwellings is slated to commence in the near future.

Newport is also working hard to address transportation needs. A new ramp system between I-471 and State Route 8 and a relocation/extension of State Route 9 are both included in the state's six-year road plan. The City is pursuing these transportation initiatives at the federal and state level. The State of Kentucky has included in their six-year plan \$2,094,000 for the design phase of the Route 9 project plus \$15,400,000 for the acquisition of rights-of-way and utility relocation for Route 9. They have also allocated \$200,000 for the design phase of the Route 8 ramp and an additional \$2,400,000 for the acquisition of right-of-way and utility relocation.

Financial Information

Long-term financial planning. The City is presently utilizing a one-year budget process for all of its' funds. City management does, however, evaluate and update a five-year capital budgeting plan each year. Only the current year plan is included in the budget document presented to and approved by the City Commission.

Cash management policies and practices. The City entered into a depository agreement, which became effective August 1, 2008 with the Bank of Kentucky that guaranteed an interest rate based on the previous month's average 13-week T-Bill rate as published in the Wall Street Journal. The pension trust fund's investment portfolio includes certificates of deposit, treasury notes and bonds, common stock and corporate bonds. The average yield on investments, except for the pension trust fund, was **0.77%**. For the fiscal year ended June 30, 2009, the pension trust funds had an average return of **3.81%** for the Employees' Plan and **4.23%** for the Policemen's and Firefighters' Plan. This compares favorably to the average Fed Funds rates of **0.11%** during FY 2010 and **3.46%** for ten year U.S. Treasury notes in 2010. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its' portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its' agent or a financial institution's trust department in the City's name. All of the investments held by the City during the year ended June 30, 2010 are classified in the category of lowest risk as defined by the Governmental Accounting Standards Board.

Pension and other post employment benefits. The City has two pension funds, both of which are closed to new members. All active City employees are now covered under the Kentucky Retirement System. As of June 30, 2010 there are no active employees participating in the Policemen's and Firefighter's Retirement Fund or in the City Employees Pension Fund. As of the same date there were only 45 annuity recipients in the Policemen's and Firefighter's Retirement Fund and 36 recipients in the City Employees Pension Fund. In June 2008, pursuant to the actuarial study conducted on July 1, 2006 the City borrowed funds necessary to cover all future benefit payments for these two pension funds. Another actuarial study, which will be completed in FY 2010-2011, will give the City insight into the financial standing of both funds.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

My sincerest thanks go out to all Finance and Administration Department staff, especially Finance Officer Lenny Kuntz. Their tireless efforts throughout the year make the completion of this document possible and keep the City's financial workings operating smoothly and efficiently.

Respectfully submitted,

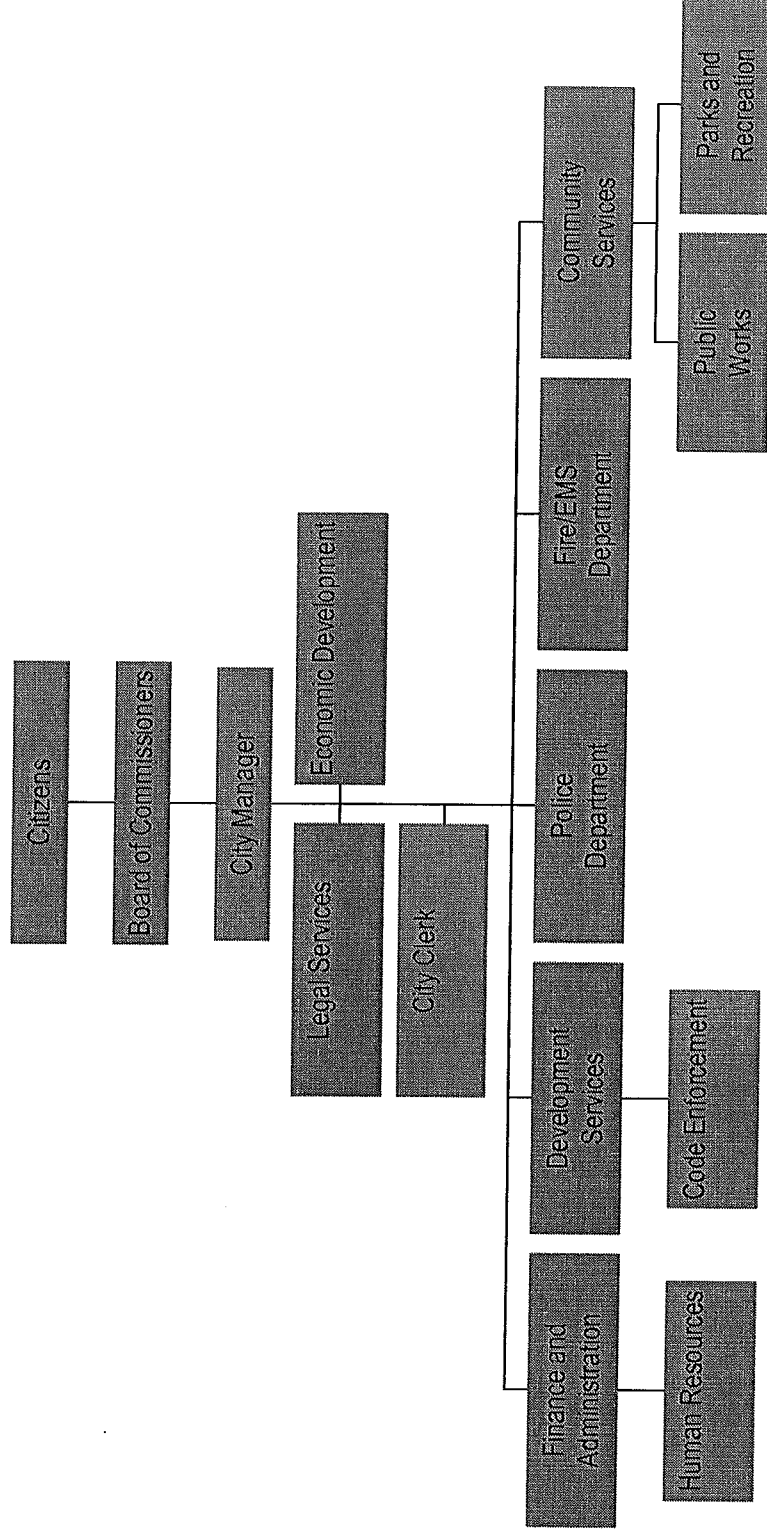
Joseph Ewald,
Chief Financial Officer

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INTRODUCTORY SECTION

City of Newport, Kentucky

Organizational Structure



CITY OF NEWPORT, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2010

Mayor

Jerry Peluso

Commissioners

Thomas Guidugli
John Hayden
Elisabeth Fennell
Frank Peluso

City Manager

Thomas J. Fromme

Department Heads

Chief of Police-Robbie K. Hall
Acting Chief Financial Officer-Joseph Ewald
Fire/EMS Chief-Paul Uebel

Office of City Manager

City Attorney-Daniel R. Braun
City Clerk-Evone Bradley

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newport
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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FINANCIAL SECTION



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
John P. Walker, CPA, MBA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council
City of Newport, Kentucky**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Newport, Kentucky (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newport, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, on our consideration of the City of Newport, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Van Gorder, Walker & Co., Inc.
Certified Public Accountants

The management's discussion and analysis on pages 15-23 and the budgetary comparison information on pages 61-66 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical section are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
January 28, 2011

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City of Newport

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Newport, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's basic financial statements, which begin on page 25.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 25 and 26) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by **\$7,627,317** (net assets).
- The City's total net assets increased **\$820,549** this year. Net assets of governmental activities decreased **\$921,510** and net assets of business-type activities increased by **\$1,742,059**.
- As of June 30, 2010, the City's governmental funds reported a combined ending fund balance of **\$145,520**, a decrease of **\$784,272** in comparison to the prior year. The City's unreserved fund balance stands at **(-\$353,686)**.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was **(-\$695,953)**. Throughout fiscal year 2010, the general fund used temporary transfers from other funds to support City functions.
- The City's total debt decreased by **\$4,789,413** due to the payment of principal on outstanding debt.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the

accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the taxpayers own, and liabilities, what the taxpayers owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health is* improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities:** most of the City's basic services are reported here, including the police, fire, emergency medical services, street maintenance, parks and recreation, and general administration. Payroll license fees, insurance license fees, property taxes, and gross receipts license fees finance most of these activities.
- **Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's refuse operations and Newport on the Levee parking operations are reported in this activity.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's fund financial statements begins on page 27 and provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the Board of Commissioners establishes many other funds to help it control and manage money for particular purposes (i.e. Community Development Fund, Revolving Loan Fund, Capital Projects Fund). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements.

Proprietary funds: When the City charges customers for the full cost of the services it provides, whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The statement of net assets presents information on all of the City of Newport's assets and liabilities, with the differences between the two reported as net assets. For the year ended June 30, 2010, net assets changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 8,286,187	\$ 8,269,876	\$ 7,476,527	\$ 8,912,892	\$ 15,762,714	\$ 17,182,768
Capital assets	25,419,280	26,297,900	36,050,000	35,844,232	61,469,280	62,142,132
Total assets	\$ 33,705,467	\$ 34,567,776	\$ 43,526,527	\$ 44,757,124	\$ 77,231,994	\$ 79,324,900
Long-term liabilities	\$ 27,837,110	\$ 29,521,524	\$ 36,050,000	\$ 39,155,000	\$ 63,887,110	\$ 68,676,524
Other liabilities	3,441,453	1,697,838	2,276,114	2,143,770	5,717,567	3,841,608
Total liabilities	\$ 31,278,563	\$ 31,219,362	\$ 38,326,114	\$ 41,298,770	\$ 69,604,677	\$ 72,518,132
Net assets:						
Invested in capital assets						
net of related debt	\$ (1,764,812)	\$ (2,513,836)	\$ (1,782,001)	\$ (3,310,768)	\$ (3,546,813)	\$ (5,824,604)
Restricted	3,810,281	4,191,255	5,916,071	5,824,505	9,726,352	10,015,760
Unrestricted	381,435	1,670,995	1,066,343	944,617	1,447,778	2,615,612
Total net assets	\$ 2,426,904	\$ 3,348,414	\$ 5,200,413	\$ 3,458,354	\$ 7,627,317	\$ 6,806,768

There was a decrease of **\$921,510 or 27.5%** in net assets for governmental activities. The majority of this decrease stems from the non-payment of the \$2,000,000 tax anticipation note issued to the City in July of 2009. Another significant contributing factor was depreciation of existing capital assets at a rate faster than new capital assets being purchased and retained.

There was an increase in net assets of **\$1,742,059 or 50.4%** for business-type activities resulting primarily from net operating income in the Newport on the Levee Fund. Long-term liabilities were also greatly reduced by principal payments on the Series-A bonds.

Governmental Activities

Governmental activities decreased the net assets of the City of Newport by **\$921,510** during FY2010 as summarized on the following chart:

	Changes in Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2,134,488	\$ 2,125,905	\$ 8,460,503	\$ 7,742,489	\$ 10,594,991	\$ 9,868,394
Operating grants and contributions	529,478	1,158,384	-	-	529,478	1,158,384
Capital grants and contributions	541,336	443,365	-	-	541,336	443,365
General revenues:						
Property taxes	1,615,235	1,533,702	-	-	1,615,235	1,533,702
Other taxes	240,264	272,041	-	-	240,264	272,041
Payroll license fees	4,939,656	5,144,845	-	-	4,939,656	5,144,845
Gross receipts license fees	1,417,593	1,447,271	-	-	1,417,593	1,447,271
Insurance premium license fees	2,432,879	2,571,317	-	-	2,432,879	2,571,317
Other licenses and permits	507,129	484,804	-	-	507,129	484,804
Franchise fees	696,490	708,161	-	-	696,490	708,161
Other uses of property	547,917	263,543	-	-	547,917	263,543
Grants - non-program specific	16,168	20,594	-	-	16,168	20,594
Other	41,854	92,179	317,831	923,718	359,685	1,015,897
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	\$ 15,660,487	\$ 16,266,111	\$ 8,778,334	\$ 8,666,207	\$ 24,438,821	\$ 24,932,318
Expenses:						
General government	\$ 1,868,549	\$ 1,922,031	\$ -	\$ -	\$ 1,868,549	\$ 1,922,031
Police	5,555,965	5,554,307	-	-	5,555,965	5,554,307
Fire	4,404,278	4,576,717	-	-	4,404,278	4,576,717
Development services	515,562	588,128	-	-	515,562	588,128
Community services	2,769,201	4,802,442	-	-	2,769,201	4,802,442
Municipal complex	311,207	331,945	-	-	311,207	331,945
Interest on long-term debt	1,194,156	1,236,834	-	-	1,194,156	1,236,834
Solid waste collection	-	-	932,132	889,466	932,132	889,466
Parking facility operation	-	-	6,067,222	7,142,808	6,067,222	7,142,808
Total expenses	\$ 16,618,918	\$ 19,012,404	\$ 6,999,354	\$ 8,032,274	\$ 23,618,272	\$ 27,044,678
Increase in net assets before transfers	(958,431)	(2,746,293)	1,778,980	633,933	820,549	(2,112,360)
Transfers	36,921	30,894	(36,921)	(30,894)	-	-
Increase(decrease) in net assets	\$ (921,510)	\$ (2,715,399)	\$ 1,742,059	\$ 603,039	\$ 820,549	\$ (2,112,360)
Net assets - Beginning of year	3,348,414	6,063,813	3,458,354	2,855,315	6,806,768	8,919,128
Net assets - End of year	\$ 2,426,904	\$ 3,348,414	\$ 5,200,413	\$ 3,458,354	\$ 7,627,317	\$ 6,806,768

- Total revenues for the City's governmental activities totaled **\$15,660,487**, compared to **\$16,266,111** last year.
- Payroll license fees totaled **\$4,939,656** or **31.5%** of the total revenues. This was a decrease of **\$205,189** from last year. This was mostly the result of construction stoppages at the Newport Pavilion and economic factors.

- The second largest category of governmental revenues was Insurance premium license fees, which accounted for **\$2,432,879** or **15.5%** of total revenues. This was a decrease of **\$138,438** over last year. Last year, the State of KY adopted an improved method of assigning insurance tax revenues to the correct cities and government entities. Most likely, this led to increased revenues for neighboring cities and caused much of the decrease in Newport's collections.
- Gross receipts license fees totaled **\$1,417,593** and accounted for **19.1%** of total revenues. This amount represents a decrease of **\$29,678** from the previous year. As with other revenues, a lot of this decrease can be attributed to the economic climate. Several businesses closed over the course of the year and many more showed a significant decrease in gross revenues.
- This year total expenses for the City's governmental activities were **\$16,618,918**, compared to **\$19,012,404** last year.

Business-type Activities

- Revenues for business-type activities totaled **\$8,778,334** this fiscal year compared to **\$8,666,207** last year. Of this, **\$8,460,503** or **96.4%** was from charges from services. This was an increase of **\$718,014**, which was the result of a 20% increase in refuse collection fees needed to cover an increase in the City's contracted waste-collection service.
- Expenses for business-type activities totaled **\$6,999,354** this fiscal year compared to **\$8,032,274** last year. Again, this is a result of an increase in the City's waste collection costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on revenues, expenditures, and net spendable resources.

As of **June 30, 2010**, the City's governmental funds reported combined ending fund balance of **\$145,520**, a decrease of **\$784,272** from the prior year. While both accounts receivable and cash equivalents increased over the prior year, the non-payment of the City's \$2,000,000 tax anticipation note led to an increase of more than \$1.3 million in total liabilities. Of this **\$145,520** total fund balance, the unrestricted balance is actually negative, at **(-\$353,686)**.

The General Fund is the main operating fund of the City. At the end of the fiscal year, the total fund balance in the General Fund was **(-\$697,809)**, which represents a decrease of **\$789,090** over the prior year. As in previous years, this was the result of budgeted expenditures exceeding budgeted revenues. Revenues for fiscal year 2010 fell far short of the budgeted numbers due to delays and stoppages on several

projects locally as well as an overall slowdown in the economy. Recently, the City has strived to make up for these shortcomings by taking steps to lessen expenditures and increase revenues. Again during this fiscal year, steps were taken to minimize the reduction of the General Fund balance. These steps include.

- Adoption of a property tax rate, which took the compensating rate plus 4%, increased revenue by more than \$100,000.
- A reduction in General Fund expenses of more than \$300,000 from last year's budget.

The Revolving Loan Fund's fund balance decreased **\$66,352**. This decrease stems from continued investment in the Newport Pavilion development and contributions to the General Fund to make up for revenue shortfalls.

The Community Development Fund's fund balance increased **\$71,169**. Delays in several projects plus revenue generated by loan repayments caused this increase.

The Capital Projects Fund's fund balance increased **\$2** due to interest income.

Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements. See "Business-type Activities" above.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Commissioners revised the General Fund budget one time. The budget amendment was to increase the beginning fund balance to actual and to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year.

The original General Fund revenue budget (excluding transfers) was **\$369,737** higher than the amended amount. The most significant changes were as follows:

- **\$440,000** decrease in payroll license fees – significant project delays and reduced staffing at businesses
- **\$82,850** decrease in traffic fines – parking meter OT revenue decrease
- **\$69,500** increase in Tax revenues – higher than anticipated property tax rate.

The revised General Fund expense budget (excluding transfers) was approximately **\$460,250** higher than the original appropriation. The largest single change was a **\$226,280** increase in capital outlay. This was the result of an unforeseen purchase of a new backhoe for **\$76,369** as well as several grants being awarded to both the Police and Fire Departments. Other increases can be attributed to budgeted overtime levels being exceeded in the Police and Fire Departments due to staffing losses and retirements.

Actual General Fund revenues (excluding transfers) were **\$182,930** lower than the amended budget anticipated. The largest variances were found in occupational taxes, which came in **\$100,274** lower than anticipated due to project construction delays and economic issues, insurance premium tax at **\$67,120** less due to changes in revenue appropriation and ambulance billing at **\$69,350** lower. Licenses and permits – other was also **\$25,559** lower than projected, as Residential and Commercial Rental revenue

mirrored other licensing fees. Payroll tax, however, was **\$39,594** higher as the final quarter of the fiscal year came in higher than anticipated due to construction resuming at the Newport Pavilion.

The actual General Fund expenses (excluding transfers) were **\$218,689** lower than the amended budget. There are several factors that contributed to this savings. Most notable were personnel savings in both the Police and Fire Departments, as both departments minimized overtime over the last month of the fiscal year. Another significant factor was a conscious effort by the Public Works Department to reduce contractual expenses like hired-out vehicle repairs and infrastructure repairs.

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

The City's total long-term debt for governmental activities decreased by **\$1,684,413** and decreased by **\$3,105,000** for business-type activities during the fiscal year.

A revision of Moody's bond ratings in fiscal year 2010 resulted in the City of Newport's bond rating to be upgraded to **A1**. However, a subsequent evaluation of the City's FY09 CAFR and 2010 fiscal budget resulted in that rating being downgraded to **A2**.

At year-end, the City had **\$63,887,110** in total outstanding notes, capital leases, compensated absences and bonds compared to **\$68,676,523** last year.

That is a decrease of **7.0** percent as shown in the following table.

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Bonds payable (backed by City revenues)	\$ 24,910,000	\$ 26,250,000	\$ -	\$ -	\$ 24,910,000	\$ 26,250,000
Bonds payable (backed by fee revenues)	-	-	36,050,000	39,155,000	36,050,000	39,155,000
Notes payable	-	-	-	-	-	-
Compensated absences	653,018	709,788	-	-	653,018	709,788
Unfunded pension obligations	-	-	-	-	-	-
Notes payable (backed by City revenues)	2,066,621	2,189,622	-	-	2,066,621	2,189,622
Capital lease obligations (backed by City revenues)	207,471	372,113	-	-	207,471	372,113
Totals	<u>\$ 27,837,110</u>	<u>\$ 29,521,523</u>	<u>\$ 36,050,000</u>	<u>\$ 39,155,000</u>	<u>\$ 63,887,110</u>	<u>\$ 68,676,523</u>

For additional information concerning the City's debt please refer to Note E to the financial statements, as well as note G for information regarding the unfunded pension obligations.

Capital Assets

At the end of June 30, 2004, the City reported for the first time all of its infrastructure. The infrastructure is reported at cost along with the accumulated depreciation. At June 30, 2010, capital assets, before accumulated depreciation, amounted to **\$101.9** million including equipment, vehicles, buildings, park facilities, streets and sidewalks. This represents a net increase of **\$219,604**, or **0.2 percent**, over last year.

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 6,690,209	\$ 6,597,209	\$ 9,196,274	\$ 9,196,274	\$ 15,886,483	\$ 15,793,483
Land improvements	33,858,492	33,840,555	26,281	26,281	33,884,773	33,866,836
Buildings and systems	5,887,177	5,887,177	-	-	5,887,177	5,887,177
Parking garage	-	-	39,362,012	39,362,013	39,362,012	39,362,013
Machinery and equipment	2,383,049	2,293,495	-	-	2,383,049	2,293,495
Licensed vehicles	4,262,824	4,292,080	-	-	4,262,824	4,292,080
Non licensed vehicles	243,494	195,125	-	-	243,494	195,125
Construction in progress	29,010	29,010	-	-	29,010	29,010
Subtotals	\$ 53,354,255	\$ 53,134,651	\$ 48,584,567	\$ 48,584,568	\$ 101,938,822	\$ 101,719,219
Accumulated depreciation	27,934,975	26,836,751	14,316,568	12,740,336	42,251,543	39,577,087
Net Assets	<u>\$ 25,419,280</u>	<u>\$ 26,297,900</u>	<u>\$ 34,267,999</u>	<u>\$ 35,844,232</u>	<u>\$ 59,687,279</u>	<u>\$ 62,142,132</u>

This year's major additions included:

Chesapeake Avenue Lots	\$ 93,000
John Deere Backhoe	76,369
	<u>\$ 169,369</u>

For additional information concerning the City's capital assets please refer to Note D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At this point, the economic outlook for the City of Newport is cautiously optimistic. After a few years of stagnant revenues, there are several developments that should greatly benefit the City.

Construction at the Newport Pavilion continues on additional retail tenants. The second anchor tenant, Target, is expected to open during fiscal year 2011. Additional smaller tenants are slated to come on line in the next few months.

The South Shore condominium complex has been very successful since its completion last fiscal year with most of its units already sold. Negotiations are currently underway to begin construction on a second phase of that development in the near future.

Despite these developments, General Fund revenues were projected to increase by only **1.25%** over the fiscal year 2010 amended budget. This conservative number is indicative of the significant shortfalls seen by the City in recent years. In addition, the City has made additional cuts in both personnel and operational expenses with the intent

of reducing costs and streamlining departments for greater efficiency. Even with potential revenue increases on the horizon, the City administration has realized continual review of staffing and expenditures is necessary for stability and profitability.

On a longer-term basis, the City intends to review its equipment and infrastructure needs with an eye on revitalization and replacement. While recent capital expenditures have come almost exclusively from state and federal grant funds, the long-term focus is on building reserves that can be reinvested in the community.

NEWPORT FOUNDATION: 501(c)3

The Newport Foundation operates as a component unit of the City with the mission of investing in the City through charitable donations for public programs and events.

For the fiscal year ended June 30, 2010 the net assets of the Newport Foundation decreased by **\$107,745** leaving a balance of **(-\$6,644)**. This is due to the Foundation's operating expenses exceeding revenues by **\$22,561** and a loss of **\$85,219** realized on the transfer of property.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's Office or the Department of Finance and Administration at 998 Monmouth Street, Newport, Kentucky.

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BASIC FINANCIAL STATEMENTS

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total	Discretely Presented Component Units
Assets				
Cash and cash equivalents	\$ 788,797	\$ 213,643	\$ 1,002,440	\$ 26,577
Inventories	(1,856)	-	(1,856)	-
Receivables:				
Property taxes	155,413	-	155,413	-
Loans	590,470	-	590,470	-
Accounts	2,834,553	319,708	3,154,261	19,599
Accrued interest	-	153,668	153,668	-
Prepaid expenses	737	-	737	-
Noncurrent assets:				
Deferred charges	445,807	931,558	1,377,365	-
Net pension asset	3,070,770	-	3,070,770	-
Restricted cash	601,381	2,494,789	3,096,170	-
Restricted investments	451	4,943,691	4,944,142	-
Internal balances	(200,336)	201,471	1,135	(1,135)
Capital assets:				
Land and construction in progress	6,719,219	9,196,274	15,915,493	4,975
Other capital assets, (net of accumulated depreciation)	18,700,061	25,071,725	43,771,786	-
Total Assets	33,705,467	43,526,527	77,231,994	50,016
Liabilities				
Accounts payable	2,605,720	542,819	3,148,539	43,694
Accrued liabilities	635,820	-	635,820	-
Accrued interest payable	199,913	1,522,409	1,722,322	-
Unearned revenue	-	210,886	210,886	7,991
Assets held for sale	-	-	-	4,975
Noncurrent liabilities:				
Compensated absences	653,018	-	653,018	-
Other noncurrent liabilities				
Due within one year	1,653,815	3,310,000	4,963,815	-
Due in more than one year (net of unamortized discounts)	25,530,277	32,740,000	58,270,277	-
Total Liabilities	31,278,563	38,326,114	69,604,677	56,660
Net Assets				
Invested in capital assets, net of debt	(1,764,812)	(1,782,001)	(3,546,813)	-
Restricted for:				
Debt service	601,381	5,916,071	6,517,452	-
Net pension asset	3,070,770	-	3,070,770	-
Police	138,130	-	138,130	-
Unrestricted	381,435	1,066,343	1,447,778	(6,644)
Total Net Assets	\$ 2,426,904	\$ 5,200,413	\$ 7,627,317	\$ (6,644)

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs: Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 1,868,549	\$ 329,815	\$ 32,975	\$ 9,968	\$ (1,495,791)	\$ (1,495,791)
Police	5,555,965	736,728	423,314	60,894	(4,335,029)	(4,335,029)
Fire/EMS	4,404,278	767,974	-	49,950	(3,586,354)	(3,586,354)
Development services	515,562	43,300	-	93,000	(379,262)	(379,262)
Community services	2,769,201	256,671	73,189	327,524	(2,111,817)	(2,111,817)
Municipal complex	311,207	-	-	-	(311,207)	(311,207)
Interest on long-term debt	1,194,156	-	-	-	(1,194,156)	(1,194,156)
Total governmental activities	16,618,918	2,134,488	529,478	541,336	(13,413,616)	(13,413,616)
Business-type activities:						
Refuse	932,132	1,054,874	-	-	-	122,742
Newport on the Levee	6,067,222	7,405,629	-	-	-	1,338,407
Total business-type activities	6,999,354	8,460,503	-	-	1,461,149	1,461,149
Total primary government	\$23,618,272	\$10,594,991	\$ 529,478	\$ 541,336	(13,413,616)	(11,952,467)
Discretely presented component units	\$ 168,310	\$ 145,749	\$ -	\$ (85,219)		(107,780)
General revenues:						
Taxes:						
Property taxes, levied for general purposes					1,615,235	-
Taxes, levied for bank deposits					46,019	-
Public service taxes					194,245	-
Payroll tax					4,939,656	-
Gross receipts franchise tax					1,417,593	-
Insurance premium tax					2,432,879	-
Other permits					507,129	-
Franchise fees					696,490	-
Other uses of property					547,917	-
Grants and contributions - non-program specific					16,168	-
Interest					2,515	35
Miscellaneous					39,339	-
Transfers					36,921	-
Total general revenues and transfers					12,492,106	35
Change in net assets					(921,510)	(107,745)
Net assets - beginning					3,348,414	101,101
Net assets - ending					\$ 2,426,904	\$ (6,644)

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Revolving Loan	Community Development	Capital Projects	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 287,751	\$ 2,711	\$ 379,055	\$ 85	\$ 669,602
Inventories	(1,856)	-	-	-	(1,856)
Receivables:					
Property taxes	155,413	-	-	-	155,413
Loans	-	-	590,470	-	590,470
Accounts	2,812,494	264	-	-	2,812,758
Accrued interest	-	-	-	-	-
Prepays	737	-	-	-	737
Due from other funds	69,664	-	-	-	69,664
Restricted assets:					
Cash and cash equivalents	100,319	501,062	-	-	601,381
Investments	18	433	-	-	451
Total Assets	\$ 3,424,540	\$ 504,470	\$ 969,525	\$ 85	\$ 4,898,620
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,477,913	\$ 15,543	\$ 24,474	\$ -	\$ 2,517,930
Accrued liabilities	635,820	-	-	-	635,820
Due to other funds	270,000	-	-	-	270,000
Deferred revenue	738,616	264	590,470	-	1,329,350
Total Liabilities	4,122,349	15,807	614,944	-	4,753,100
Fund Balances:					
Reserved for inventories	(1,856)	-	-	-	(1,856)
Reserved for property purchases	-	501,062	-	-	501,062
Unreserved, reported in:					
General fund	(695,953)	-	-	-	(695,953)
Special revenue funds	-	(12,399)	354,581	-	342,182
Capital project funds	-	-	-	85	85
Total Fund Balances	(697,809)	488,663	354,581	85	145,520
Total Liabilities and Fund Balances	\$ 3,424,540	\$ 504,470	\$ 969,525	\$ 85	\$ 4,898,620

Total governmental fund balances \$ 145,520

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation. 25,419,280

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. 1,329,350

Net assets of other internal service fund. 53,200

Net pension assets are not available to pay for current-period expenditures and are not reported in the funds. 3,070,770

Accrued interest payable on long-term debt. (199,913)

Costs of issuance of debt, including discounts and premiums, are expensed currently for government funds and are carried as deferred charges in the statement of net assets. 445,807

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. (27,837,110)

Net assets of governmental activities **\$ 2,426,904**

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Revolving Loan	Community Development	Capital Projects	Total Governmental Funds
Revenues					
Property taxes	\$ 1,855,499	\$ -	\$ -	\$ -	\$ 1,855,499
Licenses and permits	9,297,983	-	-	-	9,297,983
Intergovernmental	989,821	-	-	-	989,821
Fines and forfeitures	144,105	-	-	-	144,105
Charges for services	906,455	-	-	-	906,455
Uses of property	1,082,609	100,000	78,349	-	1,260,958
Interest	1,004	798	424	2	2,228
Refunds and repayments	34,055	263,357	-	-	297,412
Contributed capital	-	93,000	-	-	93,000
Miscellaneous	10,630	2,160	100	-	12,890
Total Revenues	14,322,161	459,315	78,873	2	14,860,351
Expenditures					
Current:					
General government	1,611,293	-	-	-	1,611,293
Police	4,803,983	-	-	-	4,803,983
Fire	3,777,219	-	-	-	3,777,219
Development services	432,894	10,372	-	-	443,266
Community services	1,654,841	32,295	26,912	-	1,714,048
Municipal complex	174,420	-	-	-	174,420
Capital outlay	233,675	93,000	-	-	326,675
Debt service:					
Principal	1,704,423	-	-	-	1,704,423
Interest	1,202,585	-	-	-	1,202,585
Total Expenditures	15,595,333	135,667	26,912	-	15,757,912
Excess (deficiency) of revenues over (under) expenditures	(1,273,172)	323,648	51,961	2	(897,561)
Other Financing Sources (Uses)					
Income from other financing sources	76,369	-	-	-	76,369
Transfers in	426,921	-	19,208	-	446,129
Transfers out	(19,208)	(390,000)	-	-	(409,208)
Total Other Financing Sources (Uses)	484,082	(390,000)	19,208	-	113,290
Net Change in Fund Balances	(789,090)	(66,352)	71,169	2	(784,271)
Fund Balances - Beginning	91,281	555,015	283,412	83	929,791
Fund Balances - Ending	\$ (697,809)	\$ 488,663	\$ 354,581	\$ 85	\$ 145,520

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2010
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Net change in fund balances - total governmental funds	\$ (784,271)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	326,675
Depreciation expense	(1,205,294)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds. This amount represents the net change in deferred revenue.	(280,319)
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Debt issuance costs and debt premiums and discounts are deferred and charged over the life of the related debt for the government-wide financial statements and charged when paid for the governmental funds. This is the amount charged in the current year for prior debt issuances.	(22,965)
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Proceeds from long-term debt is an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(76,369)
--	----------

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,704,423
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Pension costs are recognized as debt in the government-wide financial statements and not in the governmental funds.	(614,414)
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Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in the amount of interest accrued through year end.	8,429
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An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities.	(34,174)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.	56,769
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Change in net assets of governmental activities	\$ (921,510)
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The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-type Activities-Proprietary Funds			Governmental Activities
		Newport on the Levee	Total Current Year	Health and Dental
Assets	Refuse			
Current assets:				
Cash and cash equivalents	\$ 14,132	\$ 199,511	\$ 213,643	\$ 119,195
Accounts receivable (net of allowance)	102,662	217,046	319,708	21,795
Accrued interest receivable	-	153,668	153,668	-
Due from other funds	270,000	-	270,000	-
Total current assets	386,794	570,225	957,019	140,990
Restricted assets:				
Restricted cash	-	2,494,789	2,494,789	-
Restricted investments	-	4,943,691	4,943,691	-
Total restricted assets	-	7,438,480	7,438,480	-
Noncurrent assets:				
Deferred charges	-	931,558	931,558	-
Capital assets (net of depreciation):				
Land	-	9,196,274	9,196,274	-
Land improvements	-	11,243	11,243	-
Building	-	25,060,482	25,060,482	-
Total noncurrent assets	-	35,199,557	35,199,557	-
Total Assets	386,794	43,208,262	43,595,056	140,990
Liabilities				
Current liabilities:				
Accounts payable	216,245	326,574	542,819	87,790
Accrued interest payable	-	1,522,409	1,522,409	-
Unearned revenue	-	210,886	210,886	-
Bonds payable, current	-	3,310,000	3,310,000	-
Due to other funds	68,529	-	68,529	-
Total current liabilities	284,774	5,369,869	5,654,643	87,790
Noncurrent liabilities:				
Bonds payable (net of unamortized discounts)	-	32,740,000	32,740,000	-
Total noncurrent liabilities	-	32,740,000	32,740,000	-
Total Liabilities	284,774	38,109,869	38,394,643	87,790
Net Assets				
Invested in capital assets, net of related debt	-	(1,782,001)	(1,782,001)	-
Restricted	-	5,916,071	5,916,071	-
Unrestricted	102,020	964,323	1,066,343	53,200
Total Net Assets	\$ 102,020	\$ 5,098,393	\$ 5,200,413	\$ 53,200

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	<u>Business-type Activities-Proprietary Funds</u>			<u>Governmental Activities</u>
	<u>Refuse</u>	<u>Newport on the Levee</u>	<u>Total Current Year</u>	<u>Health and Dental</u>
Operating Revenues				
Charges for sales and services:				
Refuse fees	\$ 1,025,116	\$ -	\$ 1,025,116	\$ -
Parking fees	-	2,716,252	2,716,252	-
PILOT fees	-	875,000	875,000	-
Aquarium and IMAX rent assignment	-	1,167,394	1,167,394	-
Tourism sales tax refund assignment	-	2,598,983	2,598,983	-
Penalties	29,758	-	29,758	-
Other services	-	48,000	48,000	1,080,167
Total Operating Revenues	<u>1,054,874</u>	<u>7,405,629</u>	<u>8,460,503</u>	<u>1,080,167</u>
Operating Expenses				
Cost of sales and services	932,132	1,253,834	2,185,966	1,114,628
Depreciation	-	1,576,232	1,576,232	-
Total Operating Expenses	<u>932,132</u>	<u>2,830,066</u>	<u>3,762,198</u>	<u>1,114,628</u>
Net Operating Income (Loss)	<u>122,742</u>	<u>4,575,563</u>	<u>4,698,305</u>	<u>(34,461)</u>
Non-Operating Revenues/Expenses				
Interest income	308	317,523	317,831	287
Interest expense	-	(3,181,541)	(3,181,541)	-
Debt issuance costs	-	(55,615)	(55,615)	-
Total Non-Operating Income (Loss)	<u>308</u>	<u>(2,919,633)</u>	<u>(2,919,325)</u>	<u>287</u>
Transfer out	(36,921)	-	(36,921)	-
Net Income (Loss)	<u>86,129</u>	<u>1,655,930</u>	<u>1,742,059</u>	<u>(34,174)</u>
Net Assets-Beginning Of Year	<u>15,891</u>	<u>3,442,463</u>	<u>3,458,354</u>	<u>87,374</u>
Net Assets-End Of Year	<u>\$ 102,020</u>	<u>\$ 5,098,393</u>	<u>\$ 5,200,413</u>	<u>\$ 53,200</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Business-Type Activities-Proprietary Funds			Governmental Activities
	Refuse	Newport on the Levee	Total Current Year	Health and Dental
Cash flows from operating activities				
Cash received from customers	\$ 913,145	\$ 7,319,923	\$ 8,233,068	\$ 1,262,372
Cash paid to suppliers	(866,253)	(1,068,768)	(1,935,021)	(1,152,716)
Net cash provided by operating activities	<u>46,892</u>	<u>6,251,155</u>	<u>6,298,047</u>	<u>109,656</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	(36,921)	-	(36,921)	-
Net cash provided (used) by noncapital financing activities	<u>(36,921)</u>	<u>-</u>	<u>(36,921)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Interest paid on capital debt	-	(3,311,563)	(3,311,563)	-
Principal paid on debt	-	(3,105,000)	(3,105,000)	-
Capital contributions received	-	-	-	-
(Increase)/decrease in restricted assets	-	32,232	32,232	-
Net cash used by financing activities	<u>-</u>	<u>(6,384,331)</u>	<u>(6,384,331)</u>	<u>-</u>
Cash flows from investing activities				
Interest income	308	314,862	315,170	287
Net cash provided by investing activities	<u>308</u>	<u>314,862</u>	<u>315,170</u>	<u>287</u>
Net increase in cash	10,279	181,686	191,965	109,943
Cash at beginning of year	<u>3,853</u>	<u>2,512,614</u>	<u>2,516,467</u>	<u>9,252</u>
Cash at end of year	<u>\$ 14,132</u>	<u>\$ 2,694,300</u>	<u>\$ 2,708,432</u>	<u>\$ 119,195</u>
Reconciliation of operating income to net cash used by operating activities:				
Operating income (loss)	\$ 122,742	\$ 4,575,563	\$ 4,698,305	\$ (34,461)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	-	1,576,232	1,576,232	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(141,729)	(85,706)	(227,435)	182,205
Increase (decrease) in accounts payable	65,879	290,697	356,576	(38,088)
Increase (decrease) in unearned revenue	-	(105,631)	(105,631)	-
Net cash provided by operating activities	<u>\$ 46,892</u>	<u>\$ 6,251,155</u>	<u>\$ 6,298,047</u>	<u>\$ 109,656</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS June 30, 2010
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		<u>Total Retirement Plans</u>
Assets		
Cash and cash equivalents		\$ 1,204,080
Investments		
Bonds	\$ 826,220	
Closed end funds	317,683	
Mutual funds	2,884,718	
Market backed securities	162,828	
Total investments		<u>4,191,449</u>
Total Assets		<u>5,395,529</u>
Liabilities		
Accounts payable		<u>-</u>
Total Liabilities		<u>-</u>
Net Assets		
Held in trust for pension benefits		<u>5,395,529</u>
Total Net Assets		<u><u>\$ 5,395,529</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS For the Year Ended June 30, 2010
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	<u>Total Retirement Plans</u>
Additions	
Contributions:	
Employer	\$ -
Total contributions	<u>-</u>
Investment earnings:	
Interest and dividends	312,953
Net appreciation in the fair value of investments including realized gains	533,045
Total investment earnings	<u>845,998</u>
Total Additions	<u>845,998</u>
Deductions	
Benefits	799,142
Administrative expense	23,374
Total Deductions	<u>822,516</u>
Change in Net Assets	23,482
Net Assets-Beginning Of Year	<u>5,372,047</u>
Net Assets-End Of Year	<u><u>\$ 5,395,529</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNIT June 30, 2010
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	Newport Foundation
Assets	
Current assets:	
Cash and cash equivalents	\$ 26,577
Accounts receivable (net of allowance)	19,599
Total current assets	<u>46,176</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	
Land	4,975
Building	-
Total noncurrent assets	<u>4,975</u>
Total Assets	<u>51,151</u>
Liabilities	
Current liabilities:	
Accounts payable	43,694
Unearned revenue	7,991
Asset held for sale	4,975
Due to other funds	1,135
Total current liabilities	<u>57,795</u>
Total Liabilities	<u>57,795</u>
Net Assets	
Invested in capital assets, net of related debt	-
Restricted assets	-
Unrestricted	(6,644)
Total Net Assets	<u>\$ (6,644)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS DISCRETELY PRESENTED COMPONENT UNIT For the Year Ended June 30, 2010

	<u>Newport Foundation</u>
Operating Revenues	
Charges for sales and services:	
Special events	\$ 135,499
Miscellaneous	10,250
Total Operating Revenues	<u>145,749</u>
Operating Expenses	
Cost of sales and services	168,310
Depreciation	-
Total Operating Expenses	<u>168,310</u>
Net Operating Income	<u>(22,561)</u>
Non-Operating Revenues/Expenses	
Loss on contributed capital	(85,219)
Interest income	35
Total Non-Operating Income	<u>(85,184)</u>
Net Income	(107,745)
Net Assets-Beginning Of Year	<u>101,101</u>
Net Assets-End Of Year	<u><u>\$ (6,644)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT For the Year Ended June 30, 2010

	Newport Foundation
Cash flows from operating activities	
Cash received from customers	\$ 194,000
Cash paid to suppliers	(167,839)
Net cash provided by operating activities	<u>26,161</u>
Cash flows from investing activities	
Interest income	35
Net cash provided by investing activities	<u>35</u>
Net increase in cash	26,196
Cash at beginning of year	<u>381</u>
Cash at end of year	<u><u>\$ 26,577</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ (22,561)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	-
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	53,226
Increase (decrease) in accounts payable	1,015
Increase (decrease) in unearned revenue	(5,519)
Net cash provided by operating activities	<u><u>\$ 26,161</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Newport, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Newport is a municipality operating under a City Manager form of government. Legislative authority is vested in the Board of Commissioners consisting of the Mayor and four City Commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year-end. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

Included in the Reporting Entity:

City of Newport Employee's Retirement Fund

Certain City employees participate in the non-uniformed Employee's Retirement Fund. The fund functions for the benefit of the retirees and is governed by a seven member board of trustees: the Mayor, the four City Commissioners, the City Manager, and the Chief Financial Officer. The City is obligated to fund all pension benefits costs based upon actuarial valuations. There are no active employees in the plan.

City of Newport Policemen's and Firefighters' Retirement Fund

All public employees who retired prior to August 1, 1988 participate in the Policemen's and Firefighters' Retirement Fund. The fund functions for the benefit of the retirees and is governed by a four member board of trustees: the Mayor, the City Manager, and two public safety retirees. The City is obligated to fund all pension benefits costs based upon actuarial valuations. There are no active employees in the plan.

City of Newport Municipal Properties Corporation

The City of Newport Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by 1) first mortgage liens on the projects, 2) lease and option agreements between the Corporation and the City, 3) the construction agreements and 4) pledged receipts. The lease and option agreements require the City to pay rental from specified revenues, on a yearly basis with the option to renew each year. If the City renews the lease from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all the bonds, the Corporation agrees it will convey the properties to the City free and clear.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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The Board of Directors of the Corporation consists of the Mayor and the four City Commissioners. The City Manager serves as Treasurer. The City Clerk serves as Secretary.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for services.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal activity with the Health and Dental Fund is eliminated in the statement of activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, license fees and interest are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The government reports the following funds of the financial reporting entity:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Revolving Loan Fund is used for large-scale development projects. The Community Development Fund is used for other community development projects, including state and federally funded programs. The Capital Project Fund is used to account for capital projects to be financed by grants and/or financing issues.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board Statements, when accounting for enterprise funds and business-type activities.

The government reports on the following proprietary funds:

The Refuse Fund accounts for trash collection services provided to the residential and business owners within the City limits.

The Newport on the Levee Fund is responsible for operating the garage structure at the Newport on the Levee project and collecting other miscellaneous payments pursuant to a development agreement between the City and the project developer.

The City's only internal service fund is the self-insurance fund for the City's health and dental costs. Additionally, the City reports two fiduciary funds. The pension trust funds account for the activities of the Policemen's and Firefighters' Retirement Fund and Employee's Retirement Fund for the accumulation of resources for pension benefit payments to qualified retired employees.

The City's financial statements also include the Newport Foundation, a discretely presented component unit of the City. The Newport Foundation was formed in March 2009 as a public charity under section 501(c)(3) of the Internal Revenue Service Code, whose purpose is to facilitate the City's many festivals and community special events. This organization provides citizens and corporate sponsors an avenue to make tax-free charitable donations to the City's community festivals. The Foundation's officers include the City's Mayor, City Manager, City Clerk, and the City's Chief Financial Officer.

The City has adopted GASB Statements 45 through 53, and related interpretations issued through June 30, 2010. The City will implement GASB 54 at June 30, 2011.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities
2. Certificates of deposits
3. Bankers acceptances
4. Commercial paper
5. Bonds of other state or local governments
6. Mutual funds

Investments

In accordance with Government Accounting Standards Board Statement No. 31, investments held at June 30, 2010 are recorded at fair value based on quoted market prices.

Property Tax Receivable

Property taxes are levied on September 30 on property values assessed as of January 1. The taxes are billed on approximately September 30 and are due and payable on October 31. On November 1, unpaid bills become delinquent and the City may assess penalties and interest. A lien may be placed on the property on November 1.

Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables".

Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventory are recorded as an expenditure when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items utilizing the purchases method for all governmental funds.

Capital Assets

General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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net assets. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net assets. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as an expenditure in the governmental funds and capitalized (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, parks, and bridges are capitalized. Capital assets are defined by the City as assets with an initial, individual cost of at least \$2,500 and an estimated useful life of two or more years. The valuation basis for capital assets are either historical costs or, where historical costs are not available, estimated historical cost based on replacement cost. Prior to July 1, 2001 governmental funds infrastructure assets had not previously been capitalized.

These assets have been valued at estimated historical cost at July 1, 2003 due to the City electing to phase in the reporting of its infrastructure over three years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements.

Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Buildings	40 years
Building Improvements	10-20 years
Public Domain Infrastructure	25-40 years
Vehicles	5-15 years
Machinery and Equipment	3-5 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are liquidated in the general fund.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenues and payment of principle and interest as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

CITY OF NEWPORT, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Fund Equity

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. In the fund financial statements, government funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds are classified as follows:

Governmental funds – by character:
 Current – further classified by function
 Debt service
 Capital outlay

Proprietary funds – by operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses related to the use of economic resources.

Inter-fund Transactions

Inter-fund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, prior to June 30, the City Manager submits to the Board of Commissioners, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- C. The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Board of Commissioners explaining any variance from the approved budget.
- D. Appropriations continue in effect until a new budget is adopted.
- E. The Board of Commissioners may authorize supplemental appropriations during the year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Board of Commissioners; however, with proper approval by the City Manager, budgetary transfers between departments can be made. All appropriations lapse at fiscal year end.

NOTE C – DEPOSITS

Interest Rate Risk – The City has no policy relating to interest rate risk.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2010, the City's deposits were entirely insured and/or collateralized with securities held by the financial institution in the City's name. The City's custodial credit risk policy is to permit deposits allowed by Kentucky Revised Statutes.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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As of June 30, 2010, the City had the following investments:

Investment Type	Fair Market Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 339,490	9.21
Government bonds	486,730	3.46
Closed end funds	317,683	-
Mutual funds	2,884,718	-
Market backed securities	162,828	-
Cash management funds	451	-
Guaranteed investment contracts	4,943,691	14.76
Total investments	<u>\$ 9,135,591</u>	
Portfolio weighted average maturity		<u>8.51</u>

The City's investments are held in the following funds:

Investments held in:	Amount Invested
General Fund	\$ 18
Revolving Loan Fund	433
Newport on the Levee Fund	4,943,691
Retirement Plans	4,191,449
Total	<u>\$ 9,135,591</u>

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterpart, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had custodial credit risk at June 30, 2010 of \$9,135,591. The related securities totaling this amount are uninsured, unregistered and held by various trust departments. The City has an investment policy for public funds. The City holds the funds above in trust, which is subject to policy mandated by Kentucky statute that allows for trust funds to be invested in securities which would be regarded by a prudent businessman as a safe investment.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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Credit Risk – Investments – As of June 30, 2010 the City's investments in money markets, guaranteed investment contracts, closed end funds, mutual funds and corporate bonds received the following ratings by Standard & Poor's:

Investment	Rating
Money markets	
Dreyfus Money Market Instruments	Unavailable
Guaranteed investment contracts	
Bayerische Hypo - Und Vereinsban 01/01/2027	A1/A
Closed end funds	
Vanguard Growth	Approved
Vanguard International Equity Index	Approved
Mutual funds	
Legg Mason SMASH Series M	Unavailable
Thornburg Investment International Value	Focus
Corporate bonds	
American Express	A2/BBB+
Anheuser-Busch Worldwide	BAA2/BBB+
AT&T Inc.	A2/A
BB&T Corporation	A1/A
Barrick Gold Corp.	BAA1/A-
Bear Stearns Co., Inc.	AA3/A+
Comcast Corp.	BAA1/BBB+
Conoco Phillips, Inc.	A1/A
CVS Caremark	BAA2/BBB+
General Electric Capital Corp.	AA2/AA+
Goldman Sachs	A1/A
Household Finance Corp	A3/A
Merrill Lynch & Co.	A2/A
Time Warner Cable, Inc.	BAA2/BBB
Verizon Communications	A3/A
Wachovia Corp. Sub Notes	A1/AA-
Wyeth	A3/A+

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Retirements/ Adjustments	Balance June 30, 2010
Governmental activities				
Items not being depreciated:				
Construction in progress	\$ 29,010	\$ -	\$ -	\$ 29,010
Land	6,597,209	93,000	-	6,690,209
Subtotal	<u>6,626,219</u>	<u>93,000</u>	<u>-</u>	<u>6,719,219</u>
Other capital assets:				
Land improvements	33,840,555	17,937	-	33,858,492
Buildings	5,887,177	-	-	5,887,177
Machinery and equipment	2,293,495	89,554	-	2,383,049
Licensed vehicles	4,292,080	49,814	(79,070)	4,262,824
Non-licensed vehicles	195,125	76,369	(28,000)	243,494
Subtotal	<u>46,508,432</u>	<u>233,674</u>	<u>(107,070)</u>	<u>46,635,036</u>
Accumulated depreciation:				
Land improvements	(19,005,114)	(755,998)	-	(19,761,112)
Buildings	(2,215,250)	(154,472)	-	(2,369,722)
Machinery and equipment	(1,582,847)	(131,595)	-	(1,714,442)
Licensed vehicles	(3,909,376)	(148,179)	79,070	(3,978,485)
Non-licensed vehicles	(124,164)	(15,050)	28,000	(111,214)
Subtotal	<u>(26,836,751)</u>	<u>(1,205,294)</u>	<u>107,070</u>	<u>(27,934,975)</u>
Net capital assets	<u>\$ 26,297,900</u>	<u>\$ (878,620)</u>	<u>\$ -</u>	<u>\$ 25,419,280</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 1,558
Police	110,667
Fire/EMS	97,166
Development services	3,916
Community services	855,200
Municipal complex	136,787
Total governmental activities depreciation expense	<u>\$ 1,205,294</u>

Land improvements that have a limited life are being depreciated over that life.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

In the proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings and improvements

15-25 years

The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2009	Additions	Retirements/ Adjustments	Balance June 30, 2010
Proprietary activities:				
Land	\$ 9,196,274	\$ -	\$ -	\$ 9,196,274
Land improvements	26,281	-	-	26,281
Buildings	39,362,012	-	-	39,362,012
Subtotal	<u>48,584,568</u>	<u>-</u>	<u>-</u>	<u>48,584,567</u>
Accumulated depreciation				
Land improvements	(13,286)	(1,752)	-	(15,038)
Buildings	(12,727,050)	(1,574,480)	-	(14,301,530)
Subtotal	<u>(12,740,336)</u>	<u>(1,576,232)</u>	<u>-</u>	<u>(14,316,568)</u>
Net capital assets	<u>\$ 35,844,232</u>	<u>\$ (1,576,232)</u>	<u>\$ -</u>	<u>\$ 34,267,999</u>

All depreciation was charged to the Newport on the Levee Fund.

NOTE E – LONG-TERM DEBT

Leases Payable

Long-term debt outstanding at June 30, 2010 for the leases payable consisted of the following:

The City has entered into various lease agreements as lessee for financing the acquisition of land, buildings, and machinery and equipment. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms) and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. These leases are secured by the associated land, buildings, machinery and equipment, and vehicles. The following is an analysis of current fixed assets acquired through capital leases as of June 30, 2010.

	Capital Assets
Land	\$ 323,500
Building	6,212
Machinery and equipment	685,235
Vehicles	525,269
Total	<u>\$ 1,540,216</u>

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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Vehicles and equipment

The City has one lease agreement with Fifth Third Bank for equipment and vehicles. The lease is dated January 23, 2006 for five years with an original balance of \$1,100,140 and an annual interest rate of 3.95%. The balance at June 30, 2010 is \$139,805. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2010:

Year Ended June 30,	Vehicles and Equipment Lease
2011	\$ 141,652
Total minimum lease payments	141,652
Less amount representing interest	(1,847)
Present value of future minimum lease payments	<u>\$ 139,805</u>

Backhoe

The City has one lease agreement with John Deere Credit, Inc. for a backhoe. The lease is dated November 1, 2009 for five years with an original balance of \$76,779 and an annual interest rate of 5.25%. The balance at June 30, 2010 is \$67,666. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2010:

Year Ended June 30,	Backhoe Lease
2011	\$ 17,493
2012	17,493
2013	17,493
2014	17,493
2015	5,830
Total minimum lease payments	75,802
Less amount representing interest	(8,136)
Present value of future minimum lease payments	<u>\$ 67,666</u>

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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Notes Payable

All notes payable are payable from general fund revenues and are secured by City assets.

Long-term debt outstanding at June 30, 2010 for notes payable consist of the following:

Note Payable – Kentucky Infrastructure Authority

The City entered into a loan agreement with the Kentucky Infrastructure Authority on September 16, 1994 to fund the development of the Channel Crossing Project in the amount of \$2,331,899 with an annual interest rate of 5.25%. The repayment of the loan is on a thirty-year amortization schedule with a balloon payment due in year twenty. This note was refinanced with the Kentucky Infrastructure authority on December 1, 2006, with a new repayment amortization schedule of twenty years and a new interest rate of 1.40%. The balance at June 30, 2010 is \$2,066,621.

The following is a schedule of future debt service requirements to maturity as of June 30, 2010:

Year Ended June 30,	Note Payable KIA		
	Principal	Interest	Total Debt Service
2011	\$ 124,729	\$ 28,497	\$ 153,226
2012	126,482	26,744	153,226
2013	128,259	24,967	153,226
2014	130,060	23,166	153,226
2015	131,888	21,338	153,226
2016-2020	687,758	78,372	766,130
2021-2025	737,445	28,685	766,130
Total	<u>\$ 2,066,621</u>	<u>\$ 231,769</u>	<u>\$ 2,298,390</u>

Bonds Payable

The following bonds payable are payable from general fund revenues and are secured by the City assets which were financed by the bonds:

2002 General Obligation Public Project Bonds

The City issued bonds on November 1, 2002 in the amount of \$13,655,000 for the purpose of various public projects, including street improvements, public park improvements, and other capital investments. The interest rate ranges from 1.45% to 4.375% and the bonds mature over the period November 1, 2003 to November 1, 2022. The principal balance at June 30, 2010 is \$10,675,000.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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The following is a schedule of future debt service requirements to maturity as of June 30, 2010:

Year Ended June 30,	2002 General Obligation Bonds Payable		Total
	Principal	Interest	Debt Service
2011	\$ 660,000	\$ 400,354	\$ 1,060,354
2012	680,000	379,664	1,059,664
2013	705,000	357,582	1,062,582
2014	725,000	333,801	1,058,801
2015	750,000	307,976	1,057,976
2016-2020	4,200,000	1,076,010	5,276,010
2021-2023	2,955,000	196,832	3,151,832
Total	<u>\$10,675,000</u>	<u>\$ 3,052,219</u>	<u>\$ 13,727,219</u>

2003 General Obligation Public Project Refunding Bonds

The City issued bonds on June 17, 2003 for \$4,635,000 for the principal purpose of refinancing the leases on the City Hall and the Fire Facilities. The interest rate ranges from 1% to 3.3%. The bonds mature over the period August 1, 2004 to August 1, 2016. The balance due at June 30, 2010 is \$2,660,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2010:

Year Ended June 30,	2003 General Obligation Bonds Payable		Total
	Principal	Interest	Debt Service
2011	\$ 350,000	\$ 73,021	\$ 423,021
2012	360,000	63,786	423,786
2013	370,000	53,838	423,838
2014	380,000	43,240	423,240
2015	390,000	37,730	427,730
2016-2017	810,000	39,560	849,560
Total	<u>\$ 2,660,000</u>	<u>\$ 311,175</u>	<u>\$ 2,971,175</u>

2007A General Obligation Public Project Bonds

The City issued bonds on June 14, 2007 in the amount of \$4,830,000 to finance the construction of Pavilion Parkway, water mains and lines, sewer mains and lines, water detention facilities and related improvements. The interest rate ranges from 3.75% to 4.0% and the bonds mature over the period May 1, 2008 to May 1, 2027. The principal balance at June 30, 2010 is \$4,335,000.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The following is a schedule of future debt service requirements to maturity as of June 30, 2010:

Year Ended June 30,	2007A General Obligation Bonds Payable		
	Principal	Interest	Total Debt Service
2011	\$ 185,000	\$ 169,575	\$ 354,575
2012	195,000	162,638	357,638
2013	200,000	155,325	355,325
2014	205,000	147,825	352,825
2015	215,000	140,138	355,138
2016-2020	1,205,000	570,152	1,775,152
2021-2025	1,460,000	313,800	1,773,800
2026-2027	670,000	40,400	710,400
Total	<u>\$ 4,335,000</u>	<u>\$ 1,699,853</u>	<u>\$ 6,034,853</u>

2007B Taxable General Obligation Funding Bonds

The City issued bonds on June 14, 2007 in the amount of \$7,705,000 to fund the unfunded liabilities to the City's Employee's Retirement Fund and Police and Firefighters' Retirement Fund. The interest rate ranges from 5.10% to 5.75% and the bonds mature over the period May 1, 2008 to May 1, 2032. The principal balance at June 30, 2010 is \$7,240,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2010:

Year Ended June 30,	2007B General Obligation Bonds Payable		
	Principal	Interest	Total Debt Service
2011	\$ 180,000	\$ 407,592	\$ 587,592
2012	185,000	398,232	583,232
2013	195,000	388,613	583,613
2014	205,000	378,375	583,375
2015	220,000	367,613	587,613
2016-2020	1,255,000	1,651,467	2,906,467
2021-2025	1,695,000	1,253,213	2,948,213
2026-2030	2,225,000	708,401	2,933,401
2031-2032	1,080,000	94,013	1,174,013
Total	<u>\$ 7,240,000</u>	<u>\$ 5,647,519</u>	<u>\$ 12,887,519</u>

The following bonds are to be paid for by proprietary activities:

2000A&B Taxable General Obligation Funding Bonds

On April 1, 2000, the City issued First Mortgage Revenue Bonds in the amount of \$55,780,000 to finance and acquire real property, a public parking garage facility, a public plaza area, land, and a surface parking lot. Coupon rates vary from 8.75% to 11% and the bonds mature over the period September 1, 2000 to January 1, 2027. The issue calls for semi-annual interest payments on January 1 and July 1 and annual principal payments on January 1. Revenues from the Newport on the Levee fund

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

are pledged to the retirement of this debt. The balance remaining at June 30, 2010 is \$36,050,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2010:

Year Ended June 30,	2000A General Obligation Bonds Payable		
	Principal	Interest	Total Debt Service
2011	\$ 3,310,000	\$ 3,044,820	\$ 6,354,820
2012	2,995,000	2,767,606	5,762,606
2013	1,245,000	2,516,776	3,761,776
2014	1,355,000	2,412,506	3,767,506
2015	1,465,000	2,299,026	3,764,026
2016-2020	8,925,000	9,432,774	18,357,774
2021-2025	10,965,000	5,405,150	16,370,150
2026-2027	5,790,000	748,424	6,538,424
Total	<u>\$ 36,050,000</u>	<u>\$ 28,627,082</u>	<u>\$ 64,677,082</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2010 the following changes occurred in long-term liabilities in the governmental funds:

	June 30, 2009	Additions	Retirements	June 30, 2010	Due within One Year
Capital leases:					
Vehicles and equipment	\$ 372,113	\$ -	\$ (232,308)	\$ 139,805	\$ 139,805
Backhoe	-	76,779	(9,113)	67,666	14,281
Compensated absences	709,788	123,464	(180,234)	653,018	-
Gen. obligation bonds - 2002	11,320,000	-	(645,000)	10,675,000	660,000
Gen. obligation bonds - 2003	3,005,000	-	(345,000)	2,660,000	350,000
Gen. obligation bonds - 2007A	4,515,000	-	(180,000)	4,335,000	185,000
Gen. obligation bonds - 2007B	7,410,000	-	(170,000)	7,240,000	180,000
Notes payable - KIA	2,189,622	-	(123,001)	2,066,621	124,729
Total	<u>\$ 29,521,523</u>	<u>\$ 200,243</u>	<u>\$ (1,884,656)</u>	<u>\$ 27,837,110</u>	<u>\$ 1,653,815</u>

Changes in Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2010 was as follows:

	June 30, 2009	Additions	Retirements	June 30, 2010	Due within One Year
Newport on the Levee	\$ 39,155,000	\$ -	\$ (3,105,000)	\$ 36,050,000	\$ 3,310,000
Total	<u>\$ 39,155,000</u>	<u>\$ -</u>	<u>\$ (3,105,000)</u>	<u>\$ 36,050,000</u>	<u>\$ 3,310,000</u>

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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NOTE F – CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G – EMPLOYEE RETIREMENT SYSTEM

Summary of Significant Accounting Policies

Basis of Accounting

The plan's financial statements are prepared using the accrual basis of accounting.

Method Used to Value Investments

Investments are reported at fair value.

Plan Description

The City maintains two single-employer, defined benefit pension plans, the Employees' Retirement Fund and the Policemen's and Firefighters' Retirement Fund.

The plan issues separate financial statements, which may be obtained by request from the City of Newport, Kentucky.

The two plans are reported as Pension Trust Funds in the City's combined financial statements. The Employees' Retirement Fund covers substantially all non-public safety employees hired prior to April 1, 1977. The Policemen's and Firefighters' Pension Plan covers all retired policemen and firefighters who were receiving benefits prior to August 1, 1988.

Neither plan has active employees.

The City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

Annual pension cost for the Employee's Retirement Fund at June 30, 2010 was \$278,844, of which 100% was funded.

Annual pension cost for the Policemen's and Firefighters' Retirement Fund at June 30, 2010 was \$335,570 of which 100% was funded.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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The city's annual pension cost and net pension obligation to the Employees' Retirement Fund and Policemen's and Firefighters' Retirement Fund was as follows:

	Employees' Retirement Fund	Policemen's and Firefighters' Retirement Fund
Current annual required contribution	\$ (278,844)	\$ (335,570)
Interest on net pension obligation	-	-
Annual pension cost	(278,844)	(335,570)
Contributions made	-	-
Decrease in net pension obligation	(278,844)	(335,570)
Net pension obligation, beginning of year	1,235,432	2,449,752
Net pension obligation, end of year	<u>\$ 956,588</u>	<u>\$ 2,114,182</u>

No future employees are eligible to participate in the plans. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments, for the Policemen's and Firefighters' Retirement Fund are provided at the discretion of the Board of Trustees. Benefits for the Employees' Retirement Fund are provided and may be amended by City ordinance. Benefits for the Policemen's and Firefighters' Retirement Fund are provided by state statute. Members are vested and retirement is available upon completion of 20 years of service. The monthly benefit under the Employees' Retirement Fund at retirement is 2.5% of average salary for the first 20 years of service plus 1% per year after 20 years with a maximum benefit of 65% of average salary.

Concentration – Investments that represent 5% or more of the net assets of \$1,823,555 of the Employees' Retirement Fund at June 30, 2010 is as follows:

	Fair Value
Legg Mason SMASH, Series M	\$ 181,021
Dreyfus Money Market Instruments	356,150
Total	<u>\$ 537,171</u>

Investments that represent 5% or more of the net assets of \$3,571,974 of the Policemen's and Firefighters' Retirement Fund at June 30, 2010 is as follows:

	Fair Value
Legg Mason SMASH, Series M	\$ 357,789
Total	<u>\$ 357,789</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Employer Contributions:

Year Ended June 30,	Employees' Retirement Fund			Net Pension Obligation (Both Funds)
	Annual Pension Cost	Contributions Made	Percentage Contributed	
2005	\$ 244,433	\$ -	-	\$ 1,380,738
2006	298,510	-	-	2,036,574
2007	307,465	3,026,000	984%	(4,852,915)
2008	257,300	-	-	(4,218,023)
2009	(271,767)	-	-	3,685,184
2010	(278,844)	-	-	3,070,770

Year Ended June 30,	Policemen's and Firefighters' Retirement			Net Pension Obligation (Both Funds)
	Annual Pension Cost	Contributions Made	Percentage Contributed	
2005	\$ 259,825	\$ -	-	\$ 1,380,738
2006	357,326	-	-	2,036,574
2007	368,046	4,539,000	1233%	(4,852,915)
2008	377,592	-	-	(4,218,023)
2009	(261,072)	-	-	3,685,184
2010	(335,570)	-	-	3,070,770

Funding Progress:

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Employees' Fund						
2010	\$ 1,827,178	\$ 2,466,571	\$ 639,393	74.1%	N/A	N/A
2006	329,338	3,067,068	2,737,730	10.7%	N/A	N/A
2004	1,041,884	3,633,755	2,591,871	28.7%	N/A	N/A
2001	2,446,391	4,157,604	1,711,213	58.8%	N/A	N/A
Policemen's & Firefighters' Fund						
2010	\$ 3,579,151	\$ 3,597,686	\$ 18,535	99.5%	N/A	N/A
2006	1,236,047	4,530,718	3,294,671	27.3%	N/A	N/A
2004	2,227,236	4,982,308	2,755,072	44.7%	N/A	N/A
2001	4,128,441	5,183,765	1,055,324	79.6%	N/A	N/A

The information presented in this note was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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	Employees' Retirement Fund	Policemen's and Firefighters' Retirement Fund
Valuation date	July 1, 2006	July 1, 2006
Actuarial cost method	Unit Credit	Unit Credit
Amortization method	Level percent closed	Level percent closed
Remaining amortization period	20 years	20 years
Asset valuation method	Market	Market
Actuarial assumptions		
Investment rate of return	8.00%	8.00%
Projected salary increases	N/A	N/A
Inflation Rate	N/A	N/A

The City has completed an updated actuarial evaluation of these funds at a date subsequent to the date of these financial statements. These assumptions will be updated beginning with the June 30, 2011 financial report.

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of the Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions – For the year ended June 30, 2010, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2010, participating employers contributed 16.16% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2010 was 16.16% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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Hazardous Contributions – For the year ended June 30, 2010, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2010, participating employers contributed 32.97% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2010 was 32.97% of creditable compensation. Administrative costs of the KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City the current and previous five years are as follows:

Year	Required Contribution	Percentage Contributed
2010	\$ 1,939,770	100%
2009	1,887,105	100%
2008	2,182,955	100%
2007	1,996,484	100%
2006	1,715,416	100%
2005	1,415,325	100%

NOTE H – DEFERRED COMPENSATION PLAN

Employees of the City of Newport may participate in the deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code. The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency.

The deferred compensation plans are administered by the Kentucky Public Employees' Kentucky Deferred Compensation Authority.

NOTE I – CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
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NOTE J – INTER-FUND TRANSACTIONS

A summary of the inter-fund account balances is as follows:

Receivable Funds	Payable Funds	Amount
General Fund	Refuse Fund	\$ 68,529
General Fund	Newport Foundation	1,135
		<u>\$ 69,664</u>
Refuse Fund	General Fund	\$ 270,000
		<u>\$ 270,000</u>

Many of the outstanding balances between funds are short-term loans for payments of payables prior to the transfer of funds to cover such payables. The Refuse Fund advanced funds to the General fund to provide cash during slow cash flow months.

Inter-fund transfers at June 30, 2010 are as follows:

	Transfer In:		
Transfer Out:	General Fund	Community Development	Total
General Fund	\$ -	\$ 19,208	\$ 19,208
Revolving Loan Fund	390,000		390,000
Refuse Fund	36,921	-	36,921
Total	<u>\$ 426,921</u>	<u>\$ 19,208</u>	<u>\$ 446,129</u>

Transfers are used to (1) move debt service funds to the general fund where all debt service is paid, or (2) move funds from the fund that collected them to the fund that will be making the budgeted disbursement.

NOTE K – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads.

All general liability risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

CITY OF NEWPORT, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2010
--

The City has established a Health and Dental Self-Insurance Fund. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$30,000 of a participant's medical claim are payable by the health and dental self-insurance fund. The City purchases insurance for claims in excess of coverage provided by the fund. The general fund participates in the program and makes payments to the health and dental fund based on estimates of the amount needed to pay current year claims. The claims liability of \$77,803 reported in the fund June 30, 2010, is based upon the requirements of GASB Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the claims liability amounts were:

<u>Year ending June 30,</u>	<u>Beginning of Fiscal Year</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year</u>
2005	\$ 110,145	\$ 1,404,537	\$ 1,385,720	\$ 128,962
2006	128,962	1,121,961	1,184,497	66,426
2007	66,426	1,095,211	994,267	167,370
2008	167,370	999,433	1,048,977	117,826
2009	117,826	857,009	868,654	106,181
2010	106,181	1,008,447	1,036,825	77,803

The General Fund contains no provision for estimated legal claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Budgetary fund balance, July 1	\$ 41,828	\$ 91,281	\$ 91,281	\$ -
Resources (inflows):				
Taxes:				
Property	1,559,100	1,628,600	1,615,235	(13,365)
Tangible	208,610	203,940	194,245	(9,695)
Bank deposit	48,770	46,020	46,019	(1)
Licenses and permits:				
Payroll license fees	5,340,000	4,900,000	4,939,656	39,656
Gross receipts license fees	1,500,000	1,505,000	1,417,593	(87,407)
Other	3,138,600	3,018,130	2,940,734	(77,396)
Intergovernmental	881,850	1,004,020	989,821	(14,199)
Fines and forfeitures	213,550	150,080	144,105	(5,975)
Charges for services	980,360	966,340	906,455	(59,885)
Uses of property	1,103,860	1,123,290	1,082,609	(40,681)
Interest	4,500	1,000	1,004	4
Miscellaneous	10,000	10,000	10,630	630
Refunds and reimbursements	11,450	25,040	34,055	9,015
Transfers in	576,480	972,820	426,921	(545,899)
Income from other financing sources	-	-	76,369	76,369
Amounts available for appropriation	15,618,958	15,645,561	14,916,732	(728,829)
Charges to appropriations (outflows):				
General Government:				
Office of City Manager:				
Personnel	571,270	595,370	595,688	(318)
Contractual	264,040	261,380	263,447	(2,067)
Materials and supplies	8,350	8,470	9,059	(589)
Other-unclassified	69,700	53,650	60,197	(6,547)
Total Office of City Manager	913,360	918,870	928,391	(9,521)
Finance and Administration:				
Personnel	488,500	496,980	494,698	2,282
Contractual	159,540	155,450	146,551	8,899
Materials and supplies	5,000	4,600	4,104	496
Other-unclassified	40,850	38,100	37,549	551
Total Finance and Administration	693,890	695,130	682,902	12,228
Total General Government	\$ 1,607,250	\$ 1,614,000	\$ 1,611,293	\$ 2,707

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Police:				(Continued)
Chief's Office:				
Personnel	\$ 274,740	\$ 278,740	\$ 276,600	\$ 2,140
Contractual	111,800	106,300	101,861	4,439
Materials and supplies	28,500	21,600	21,505	95
Other-unclassified	26,540	26,980	5,256	21,724
Total Chief's Office	441,580	433,620	405,222	28,398
Police Administration:				
Personnel	392,970	381,870	380,605	1,265
Contractual	46,830	41,230	33,951	7,279
Materials and supplies	7,780	3,430	1,622	1,808
Other-unclassified	11,450	2,970	5,039	(2,069)
Total Police Administration	459,030	429,500	421,217	8,283
Patrol:				
Personnel	3,006,070	3,126,490	3,109,529	16,961
Contractual	62,200	92,760	81,277	11,483
Materials and supplies	142,740	165,620	147,624	17,996
Other-unclassified	11,090	8,270	7,908	362
Total Patrol	3,222,100	3,393,140	3,346,338	46,802
Investigation:				
Personnel	369,570	363,780	362,772	1,008
Contractual	8,700	4,710	4,760	(50)
Materials and supplies	12,730	7,520	8,266	(746)
Other-unclassified	8,670	8,980	5,037	3,943
Total Investigation	399,670	384,990	380,835	4,155
Traffic:				
Personnel	222,430	226,880	227,726	(846)
Contractual	7,900	6,370	6,482	(112)
Materials and supplies	23,890	21,210	16,163	5,047
Other-unclassified	1,500	-	-	-
Total Traffic	255,720	254,460	250,371	4,089
Total Police	\$ 4,778,100	\$ 4,895,710	\$ 4,803,983	\$ 91,727

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Fire/EMS				(Continued)
Administration:				
Personnel	\$ 202,880	\$ 206,090	\$ 202,809	\$ 3,281
Contractual	39,500	33,540	26,847	6,693
Materials and supplies	20,300	15,500	11,709	3,791
Other-unclassified	11,200	7,200	16,423	(9,223)
Total Administration	273,880	262,330	257,788	4,542
Suppression:				
Personnel	1,150,360	1,155,440	1,159,633	(4,193)
Contractual	38,800	37,380	31,689	5,691
Materials and supplies	33,400	26,000	15,973	10,027
Total Suppression	1,222,560	1,218,820	1,207,295	11,525
Education/Prevention:				
Personnel	347,220	355,340	354,559	781
Contractual	2,600	1,980	1,833	147
Materials and supplies	4,000	2,200	1,706	494
Other-unclassified	4,000	1,150	986	164
Total Education/Prevention	357,820	360,670	359,084	1,586
Emergency services:				
Personnel	1,034,760	990,720	983,230	7,490
Contractual	64,500	63,590	66,298	(2,708)
Materials and supplies	42,800	38,840	33,740	5,100
Other-unclassified	250	500	500	-
Total Emergency services	1,142,310	1,093,650	1,083,768	9,882
South Newport:				
Personnel	815,760	845,130	845,317	(187)
Contractual	25,400	20,790	17,541	3,249
Materials and supplies	10,150	8,870	5,607	3,263
Other-unclassified	1,000	1,000	819	181
Total South Newport:	852,310	875,790	869,284	6,506
Total Fire/EMS	\$ 3,848,880	\$ 3,811,260	\$ 3,777,219	\$ 34,041

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Development Services:				(Continued)
Administration:				
Personnel	\$ 162,810	\$ 187,280	\$ 189,179	\$ (1,899)
Contractual	16,000	10,970	7,920	3,050
Materials and supplies	1,500	1,500	954	546
Other-unclassified	7,350	6,500	5,987	513
Total Administration	187,660	206,250	204,040	2,210
Code Enforcement:				
Personnel	226,470	199,140	199,802	(662)
Contractual	22,050	18,150	19,231	(1,081)
Materials and supplies	7,550	5,650	5,407	243
Other-unclassified	4,400	5,190	4,414	776
Total Code Enforcement	260,470	228,130	228,854	(724)
Total Development Services	448,130	434,380	432,894	1,486
Community Services:				
Administration:				
Personnel	138,720	137,860	137,241	619
Contractual	1,300	2,690	2,006	684
Materials and supplies	2,500	2,500	2,016	484
Other-unclassified	200	600	387	213
Total Administration	142,720	143,650	141,650	2,000
Public Works:				
Personnel	712,180	800,850	797,017	3,833
Contractual	340,430	375,910	333,664	42,246
Materials and supplies	213,300	230,620	216,642	13,978
Other-unclassified	6,510	4,630	3,083	1,547
Total Public Works	1,272,420	1,412,010	1,350,406	61,604
Parks and Recreation:				
Personnel	37,580	37,050	35,879	1,171
Contractual	73,000	75,580	75,433	147
Materials and supplies	23,500	25,600	26,756	(1,156)
Other-unclassified	28,500	30,250	24,717	5,533
Total Parks and Recreation	162,580	168,480	162,785	5,695
Total Community Services	\$ 1,577,720	\$ 1,724,140	\$ 1,654,841	\$ 69,299

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
				(Continued)
Municipal Complex:				
Contractual	\$ 163,860	\$ 158,310	\$ 152,869	\$ 5,441
Materials and supplies	9,700	8,500	6,151	2,349
Other-unclassified	14,700	15,860	15,400	460
Total Municipal Complex	<u>188,260</u>	<u>182,670</u>	<u>174,420</u>	<u>8,250</u>
Capital Outlay:				
General government	-	-	-	-
Police	18,550	49,920	62,910	(12,990)
Fire/EMS	-	60,020	51,321	8,699
Community services	-	134,890	119,444	15,446
Total Capital Outlay	<u>18,550</u>	<u>244,830</u>	<u>233,675</u>	<u>11,155</u>
Debt Service:				
Principal	1,687,800	1,704,430	1,704,423	7
Interest	1,199,080	1,202,600	1,202,585	15
Total Debt Service	<u>2,886,880</u>	<u>2,907,030</u>	<u>2,907,008</u>	<u>22</u>
Transfers out	-	19,210	19,208	2
Total charges to appropriations	<u>15,353,770</u>	<u>15,833,230</u>	<u>15,614,541</u>	<u>218,689</u>
Budgetary fund balance, June 30	<u>\$ 265,188</u>	<u>\$ (187,669)</u>	<u>\$ (697,809)</u>	<u>\$ (510,140)</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Budgetary fund balances, July 1	\$ 555,014	\$ 555,014	\$ 555,015	\$ 1
Resources (inflows):				
Reimbursements-judgements	-	350	357	7
Loan principle income	284,290	263,000	263,000	-
Loan interest income	3,210	-	-	-
Intergovernmental	600,000	-	-	-
Uses of property	250,000	646,000	100,000	(546,000)
Contributed capital	-	-	93,000	93,000
Interest	5,000	760	798	38
Miscellaneous	6,480	2,160	2,160	-
Amounts available for appropriation	<u>1,703,994</u>	<u>1,467,284</u>	<u>1,014,330</u>	<u>(452,954)</u>
Charges to appropriations (outflows):				
Cote Brillante project	600,000	15,000	32,295	(17,295)
Development agreements	6,480	10,380	10,372	8
Capital outlay	-	-	93,000	(93,000)
Transfer to other funds	540,000	936,000	390,000	546,000
Total charges to appropriations	<u>1,146,480</u>	<u>961,380</u>	<u>525,667</u>	<u>435,713</u>
Budgetary fund balances, June 30	<u>\$ 557,514</u>	<u>\$ 505,904</u>	<u>\$ 488,663</u>	<u>\$ (17,241)</u>



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
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Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of Council of
City of Newport, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City of Newport, Kentucky's basic financial statements and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Newport, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newport, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Newport, Kentucky's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Newport, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Newport, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Newport, Kentucky's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Newport, Kentucky's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material

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Van Gorder, Walker & Co., Inc.
Certified Public Accountants

weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newport, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City is in violation of KRS 65.140 – This statute requires that purchase invoices be paid within 30 days of receipt of invoice, unless the City and vendor otherwise contract.

Throughout the fiscal year under audit and up to the date of this report, the City is routinely delinquent in paying basic invoices; we have seen invoices paid more than 90 days past due date. The cause of this delay is that the City struggles to maintain enough cash to pay even basic invoices on a timely basis. This cash flow problem is rapidly becoming a chronic problem for the City. This was also a non-compliance issue at June 30, 2009.

Management Comments:

At the date of this report, almost all City accounts are current within 30 days. However, the City's fluctuating cash flows often affect the timely payment of our obligations. In the future, as reserves are built up, this problem will be rectified as those reserves will be sufficient to cover any momentary cash flow shortfalls.

We noted certain matters that we reported to management of the City of Newport, Kentucky in a separate letter dated January 28, 2011.

This report is intended solely for the information and use of the City's management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
January 28, 2011

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SUPPLEMENTARY INFORMATION

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balances, July 1	\$ 312,594	\$ 283,412	\$ 283,412	\$ -
Resources (inflows):				
Watertower	45,010	45,010	45,008	(2)
St. Vincent	8,870	8,870	8,867	(3)
Hamlet Row	-	24,474	24,474	-
Bank interest	1,500	390	424	34
Grants	227,600	100	100	-
Transfers in	-	19,210	19,208	(2)
Amounts available for appropriation	<u>595,574</u>	<u>381,466</u>	<u>381,493</u>	<u>27</u>
Charges to appropriations (outflows):				
Community grant program	-	1,000	1,000	-
Studies, surveys, signage, projects	-	1,440	1,438	2
Hamlet Row	-	24,474	24,474	-
Bicycle Trailhead project	249,800	-	-	-
Total charges to appropriation	<u>249,800</u>	<u>26,914</u>	<u>26,912</u>	<u>2</u>
Budgetary fund balances, June 30	<u>\$ 345,774</u>	<u>\$ 354,552</u>	<u>\$ 354,581</u>	<u>\$ 29</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balances, July 1	\$ 1,066	\$ 83	\$ 83	\$ -
Resources (inflows):				
Intergovernmental	-	-	-	-
Interest	-	-	2	2
Note proceeds	-	-	-	-
Transfers in	-	-	-	-
Amounts available for appropriation	<u>1,066</u>	<u>83</u>	<u>85</u>	<u>2</u>
Charges to appropriations (outflows):				
Capital project expenditures:				
Floodwall improvements	-	-	-	-
Street improvement program	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balances, June 30	<u>\$ 1,066</u>	<u>\$ 83</u>	<u>\$ 85</u>	<u>\$ 2</u>

CITY OF NEWPORT, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Policemen's and Firefighters' Retirement Fund	Employees' Retirement Fund	Total Current Year
Assets			
Cash and cash equivalents	\$ 811,453	\$ 392,627	\$ 1,204,080
Investments			
Bonds	548,463	277,757	826,220
Closed end funds	208,377	109,306	317,683
Mutual funds	1,896,541	988,177	2,884,718
Market backed securities	107,140	55,688	162,828
Total Assets	3,571,974	1,823,555	5,395,529
Liabilities			
Accounts payable	-	-	-
Total Liabilities	-	-	-
Net Assets			
Held in trust for pension benefits	3,571,974	1,823,555	5,395,529
Total Net Assets	\$ 3,571,974	\$ 1,823,555	\$ 5,395,529

CITY OF NEWPORT, KENTUCKY COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS For the Year Ended June 30, 2010
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	<u>Policemen's and Firefighters' Retirement Fund</u>	<u>Employees' Retirement Fund</u>	<u>Total Current Year</u>
Additions			
Employer contributions	\$ -	\$ -	\$ -
Investment earnings			
Interest and dividends	204,538	108,415	312,953
Net appreciation in the fair value of investments including realized gains	355,373	177,672	533,045
Total investment earnings	<u>559,911</u>	<u>286,087</u>	<u>845,998</u>
Total Additions	<u>559,911</u>	<u>286,087</u>	<u>845,998</u>
Deductions			
Benefits	480,492	318,650	799,142
Administrative expense	15,344	8,030	23,374
Total Deductions	<u>495,836</u>	<u>326,680</u>	<u>822,516</u>
Change in Net Assets	64,075	(40,593)	23,482
Net Assets-Beginning Of Year	<u>3,507,899</u>	<u>1,864,148</u>	<u>5,372,047</u>
Net Assets-End Of Year	<u>\$ 3,571,974</u>	<u>\$ 1,823,555</u>	<u>\$ 5,395,529</u>

STATISTICAL SECTION

STATISTICAL SECTION

The Statistical Section of the City of Newport's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding the information in the financial statements, notes and supplementary information as it pertains to the overall financial health of the City.

Section 1: Financial Trend Data:

Pages 76 – 80

These tables contain trend information to help the reader understand how the City's financial status has changed in recent years.

Section 2: Revenue Capacity:

Pages 81 – 84

These tables contain information to help the reader assess the City's most significant local sources of revenue.

Section 3: Debt Capacity:

Pages 85 – 89

These tables include information to help the reader assess the affordability of the City's current outstanding debt and its ability to issue additional debt in the future.

Section 4: Demographic and Economic Information:

Page 90

This table shows demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

Section 5: Operating Information:

Pages 91 – 93

These tables contain service and infrastructure data to help the reader understand how the information contained in this report relates to the City's services and activities.

CITY OF NEWPORT, KENTUCKY
NET ASSETS BY COMPONENT
Last Seven Fiscal Years

	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
Invested in capital assets, net of related debt	\$ 16,265,294	\$ 16,095,684	\$ 7,261,893	\$ 8,528,316	\$ 3,655,959	\$ (2,513,836)	\$ (1,764,812)
Restricted	60,863	80,194	15,931	62,821	5,716	4,191,255	3,810,281
Unrestricted	3,657,573	(35,214)	4,439,581	1,562,517	2,402,138	1,670,995	381,435
Total governmental activities net assets	19,983,730	16,140,664	11,717,405	10,153,654	6,063,813	3,348,414	2,426,904
Business-type activities							
Invested in capital assets, net of related debt	\$ -	\$ (8,165,840)	\$ (7,342,072)	\$ (5,885,737)	\$ (4,764,536)	\$ (3,310,768)	\$ (1,782,001)
Restricted	2,488,782	2,769,614	2,520,409	2,816,988	2,609,304	5,824,505	5,916,071
Unrestricted	(17,313,901)	(9,085,949)	4,998,781	4,668,726	5,010,547	944,617	1,066,343
Total business-type activities net assets	\$ (14,825,119)	\$ (14,482,175)	\$ 177,118	\$ 1,599,977	\$ 2,855,315	\$ 3,458,354	\$ 5,200,413
Primary government							
Invested in capital assets, net of related debt	\$ 16,265,294	\$ 7,929,844	\$ (80,179)	\$ 2,642,579	\$ (1,108,577)	\$ (5,824,604)	\$ (3,546,813)
Restricted	2,549,645	2,849,808	2,536,340	2,879,809	2,615,020	10,015,760	9,726,352
Unrestricted	(13,656,328)	(9,121,163)	9,438,362	6,231,243	7,412,685	2,615,612	1,447,778
Total primary government net assets	\$ 5,158,611	\$ 1,658,489	\$ 11,894,523	\$ 11,753,631	\$ 8,919,128	\$ 6,806,768	\$ 7,627,317

Note: The city began to report accrual information when it implemented GASB 34 in fiscal year 2002.

CITY OF NEWPORT, KENTUCKY
CHANGES IN NET ASSETS
Last Seven Fiscal Years

Expenses	2004	2005	2006	2007	2008	2009	2010
Governmental activities:							
General government	\$ 2,630,334	\$ 2,781,560	\$ 2,596,498	\$ 2,488,790	\$ 1,965,997	\$ 1,922,031	\$ 1,868,549
Police	5,171,507	5,786,354	5,915,862	5,979,035	5,497,289	5,554,307	5,555,965
Fire/EMS	3,940,118	4,425,187	4,698,518	4,571,662	4,490,843	4,576,717	4,404,278
Development services	-	-	-	564,418	542,138	588,128	515,562
Community services	7,032,709	4,358,819	4,414,406	3,798,517	4,722,306	4,802,442	2,769,201
Municipal complex	343,869	367,777	356,661	357,061	321,582	331,945	311,207
Interest on long-term debt	1,008,633	951,269	1,062,697	1,245,842	1,284,127	1,236,834	1,194,156
Total governmental activities expenses	20,127,170	18,670,966	19,044,642	19,005,325	18,824,282	19,012,404	16,618,918
Business-type activities:							
Refuse	730,890	735,127	778,843	763,495	831,708	889,466	932,132
Newport on the Levee	8,647,264	8,558,729	7,812,570	6,997,513	6,825,090	7,142,808	6,067,222
Total business-type activities expenses	9,378,154	9,293,856	8,591,413	7,761,008	7,656,798	8,032,274	6,999,354
Total primary government expenses	\$ 29,505,324	\$ 27,964,822	\$ 27,636,055	\$ 26,766,333	\$ 26,481,080	\$ 27,044,678	\$ 23,618,272
Program Revenues							
Governmental activities:							
Charges for services:	\$ 474,875	\$ 596,575	\$ 170,949	\$ 174,424	\$ 189,617	\$ 186,793	\$ 329,815
General government	286,579	378,767	256,897	249,611	328,866	820,623	736,728
Police	373,174	389,311	398,530	422,292	449,407	825,536	767,974
Fire/EMS	-	-	-	-	-	41,801	43,300
Development services	616,102	673,206	196,148	233,617	140,310	251,152	256,671
Community services	-	-	-	-	-	-	-
Municipal complex	-	-	-	-	-	-	-
Operating grants and contributions	750,191	346,839	374,914	753,368	713,497	1,158,384	529,478
Capital grants and contributions	2,349,875	398,952	276,078	297,093	515,859	443,365	541,336
Total governmental activities program revenues	4,850,796	2,783,650	1,673,516	2,130,405	2,337,556	3,727,654	3,205,302
Business-type activities:							
Charges for services:							
Refuse	733,563	731,641	779,900	791,830	892,625	882,699	1,054,874
Newport on the Levee	8,049,384	8,521,330	7,763,622	7,958,476	7,607,245	6,859,790	7,405,629
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	-	14,289,593	-	-	571,759	-
Total business-type activities program revenues	8,782,947	9,252,971	22,833,115	8,750,306	8,499,870	8,314,248	8,460,503
Total primary government program revenues	\$ 13,633,743	\$ 12,036,621	\$ 24,506,631	\$ 10,880,711	\$ 10,837,426	\$ 12,041,902	\$ 11,665,805

(Continued)

CITY OF NEWPORT, KENTUCKY
CHANGES IN NET ASSETS
Last Seven Fiscal Years

(Continued from previous page)

	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue							
Governmental activities	\$ (15,276,374)	\$ (15,887,316)	\$ (17,371,126)	\$ (16,874,920)	\$ (16,486,726)	\$ (15,284,750)	\$ (13,413,616)
Business-type activities	(595,207)	(40,885)	14,241,702	989,298	843,072	281,974	1,461,149
Total primary government net (expense)/revenue	\$ (15,871,581)	\$ (15,928,201)	\$ (3,129,424)	\$ (15,885,622)	\$ (15,643,654)	\$ (15,002,776)	\$ (11,952,467)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes, levied for general purposes	\$ 1,120,926	\$ 1,213,066	\$ 1,263,745	\$ 1,343,586	\$ 1,405,770	\$ 1,533,702	\$ 1,615,235
Taxes, levied for bank deposits	51,142	48,517	48,132	48,284	49,535	47,354	46,019
Public service taxes	196,401	199,386	196,798	168,953	194,007	224,687	194,245
Payroll taxes	4,798,749	4,795,569	4,760,875	5,035,332	5,343,994	5,144,845	4,939,656
Gross receipts franchise tax	1,101,661	1,167,848	1,154,993	1,283,472	1,477,946	1,447,271	1,417,593
Insurance premium tax	2,160,684	2,381,319	1,974,652	2,198,105	1,957,783	2,571,317	2,432,879
Other permits	324,649	316,122	376,789	578,782	544,642	484,804	507,129
Franchise fees	675,350	679,105	710,941	658,485	725,774	708,161	696,490
Other uses of property	2,215,986	783,586	1,859,191	376,655	299,300	263,543	547,917
Grants and contributions - non-program specific	33,508	39,026	120,846	190,756	9,412	20,594	16,188
Interest	204,762	153,460	131,832	289,354	275,089	52,645	2,515
Miscellaneous	299,504	249,734	330,295	337,824	80,463	39,534	39,339
Gain (loss) on sale of capital assets	-	-	-	2,773,911	-	-	-
Transfers	19,951	17,512	18,778	27,670	33,170	30,894	36,921
Total governmental activities	13,203,273	12,044,250	12,947,867	15,311,169	12,396,885	12,569,351	12,492,106
Business-type activities:							
Grants and contributions - non-program specific	-	-	-	-	-	-	-
Interest	389,655	401,341	436,369	461,231	443,491	351,959	317,831
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-
Transfers	(19,951)	(17,512)	(18,778)	(27,670)	(31,225)	(30,894)	(36,921)
Total business-type activities	369,704	383,829	417,591	433,561	412,266	321,065	280,910
Total primary government	\$ 13,572,977	\$ 12,428,079	\$ 13,365,458	\$ 15,744,730	\$ 12,809,151	\$ 12,890,416	\$ 12,773,016
Change in Net Assets							
Governmental activities	\$ (2,073,101)	\$ (3,843,066)	\$ (4,423,259)	\$ (1,563,751)	\$ (4,089,841)	\$ (2,715,399)	\$ (921,510)
Business-type activities	(225,503)	342,944	14,659,293	1,422,859	1,255,338	603,039	1,742,059
Total change in net assets	\$ (2,298,604)	\$ (3,500,122)	\$ 10,236,034	\$ (140,892)	\$ (2,834,503)	\$ (2,112,360)	\$ 820,549

Note: The city began to report accrual information when it implemented GASB 34 in fiscal year 2002.

CITY OF NEWPORT, KENTUCKY
Fund Balances - Governmental Funds
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$ 777,201	\$ 20,399	\$ 17,359	\$ 770,976	\$ 866,984	\$ 853,669	\$ 4,220	\$ 3,024	\$ 2,739	\$ (1,856)
Unreserved	3,829,112	4,894,154	4,557,293	2,641,612	1,287,032	151,143	279,413	136,974	88,543	(695,953)
Total general fund	\$ 4,606,313	\$ 4,914,553	\$ 4,574,652	\$ 3,412,588	\$ 2,154,016	\$ 1,004,812	\$ 283,633	\$ 139,998	\$ 91,282	\$ (697,809)
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,642,603	\$ 3,145,000	\$ 500,434	\$ 501,062
Unreserved, reported in:										
Special revenue funds	245,229	4,777,103	10,453,550	3,836,066	2,095,238	2,134,883	1,900,123	392,264	337,993	342,182
Capital projects funds	9	228,446	4,340,042	1,993,396	805,911	612,702	12,893	1,564	83	85
Total all other governmental funds	\$ 245,238	\$ 5,005,549	\$ 14,793,592	\$ 5,829,462	\$ 2,901,149	\$ 2,747,585	\$ 6,555,619	\$ 3,538,828	\$ 838,510	\$ 843,329

CITY OF NEWPORT, KENTUCKY
Changes In Fund Balances - Governmental Funds
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 1,322,455	\$ 1,294,457	\$ 1,318,382	\$ 1,365,717	\$ 1,445,290	\$ 1,505,109	\$ 1,539,240	\$ 1,649,312	\$ 1,805,743	\$ 1,855,499
Licenses and permits	6,912,068	7,137,198	7,681,384	8,385,742	8,660,858	8,267,309	9,095,691	9,324,365	9,648,237	9,297,983
Intergovernmental	4,057,654	3,827,946	3,482,662	2,834,595	841,136	771,838	1,241,217	1,364,384	1,651,302	989,821
Fines and forfeitures	86,064	150,139	112,499	115,362	168,022	189,634	165,942	186,544	195,432	144,105
Charges for services	1,657,027	1,031,470	736,199	1,021,692	963,781	922,551	975,884	928,410	938,792	906,455
Uses of property	1,132,410	1,005,132	1,492,936	1,326,531	1,738,783	4,839,295	1,422,234	1,752,278	1,522,057	1,260,958
Interest	178,666	77,809	395,957	204,762	153,460	129,508	286,254	273,407	52,156	2,228
Miscellaneous	3,277,265	265,267	474,377	333,174	280,533	344,361	300,536	294,014	525,020	403,302
Total revenues	18,623,609	14,789,418	15,694,396	15,587,575	14,241,863	16,969,605	15,026,998	15,772,714	16,338,739	14,860,351
Expenditures										
General government	2,110,631	2,376,588	2,257,461	2,325,080	2,443,082	2,449,502	2,302,981	1,897,548	1,679,417	1,611,293
Police	4,183,803	4,722,044	4,534,402	4,672,390	5,106,507	5,392,287	5,468,335	5,107,781	4,857,106	4,803,983
Fire/EMS	3,025,868	3,199,276	3,375,669	3,573,459	3,984,356	4,338,683	4,235,936	4,238,323	3,984,505	3,777,219
Development services							505,998	519,473	494,205	443,266
Community services	2,316,321	3,945,798	4,748,822	6,357,949	3,022,491	3,073,803	2,592,723	3,568,847	3,602,396	1,714,048
Municipal complex	197,416	215,707	206,407	216,975	217,047	207,909	207,140	164,820	180,328	174,420
Capital outlay	4,842,703	4,831,121	14,521,580	6,485,329	1,749,842	1,664,108	12,698,731	334,637	1,812,623	326,675
Debt service										
Principal	712,584	858,768	7,297,429	835,242	12,976,794	13,122,824	13,601,278	1,788,551	1,701,049	1,704,423
Interest	379,313	502,746	628,308	1,267,296	996,231	992,382	1,169,403	1,257,713	1,244,573	1,202,585
Debt issuance cost	-	-	390,291	-	-	-	223,214	-	-	-
Total expenditures	17,768,639	20,652,048	37,960,369	25,733,720	30,486,350	31,239,498	43,005,739	18,877,493	19,556,202	15,757,912
Excess (deficiency) of revenues over (under) expenditures	854,970	(5,862,630)	(22,265,973)	(10,146,145)	(16,254,487)	(14,269,893)	(27,978,741)	(3,104,779)	(3,217,463)	(897,561)
Other financing sources (uses)										
Proceeds from long-term debt	400,000	2,765,440	30,983,060	-	12,050,000	13,200,140	12,535,000	162,464	437,535	76,389
Sale of capital assets	-	-	-	-	-	-	26,368,096	-	-	-
Discount on debt issued	-	-	-	-	-	-	(55,170)	-	-	-
Transfers in	1,577,750	11,024,113	4,848,836	2,118,307	14,172,501	12,931,112	15,323,529	2,458,413	1,235,358	446,129
Transfers out	(1,577,750)	(2,858,372)	(4,117,781)	(2,098,356)	(14,154,989)	(13,164,037)	(15,540,859)	(2,676,524)	(1,204,464)	(409,208)
Total other financing sources (uses)	400,000	10,931,181	31,714,115	19,951	12,067,512	12,967,215	38,630,596	(55,647)	468,429	113,290
Special items										
Pension contributions from bond issue	-	-	-	-	-	-	(7,565,000)	-	-	-
Total special items	-	-	-	-	-	-	(7,565,000)	-	-	-
Net change in fund balances	\$ 1,254,970	\$ 5,068,551	\$ 9,448,142	\$ (10,126,194)	\$ (4,186,975)	\$ (1,302,678)	\$ 3,086,855	\$ (3,160,426)	\$ (2,749,034)	\$ (784,271)
Debt service as a percentage of non capital expenditures	8.45%	8.61%	35.48%	10.92%	48.61%	47.73%	49.47%	16.43%	16.60%	18.84%

CITY OF NEWPORT, KENTUCKY
GROSS WAGES BY CATEGORY AND PAYROLL TAX COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Gross Wages by Category							Total Gross Wages	Total Direct Tax Rate	Payroll Tax	Penalty & Interest	Total Payroll Tax Collections							
	Food &					Professional													
	June 30	Manufacturing	Commercial	Public Service	Beverage														
2001	\$	30,624,781	\$	67,948,181	\$	45,941,691	\$	22,888,904	\$	4,582,313	\$	171,985,870	2.50%	\$	4,299,647	\$	4,369	\$	4,304,016
2002		33,376,458		56,690,602		50,601,371		24,331,553		7,875,996		172,875,980	2.50%		4,321,900		12,260		4,334,160
2003		32,143,960		58,664,822		51,794,291		30,525,804		7,627,757		180,756,634	2.50%		4,518,916		7,298		4,526,214
2004		31,432,620		57,701,725		56,182,337		37,083,261		7,929,326		190,329,269	2.50%		4,758,232		40,518		4,798,750
2005		33,022,060		57,114,947		59,270,127		33,549,326		8,375,941		191,332,401	2.50%		4,783,310		12,259		4,795,569
2006		30,522,343		54,105,050		62,086,065		34,091,112		9,407,274		190,211,844	2.50%		4,755,296		5,579		4,760,875
2007		30,117,703		60,247,798		64,912,260		36,088,318		9,519,894		200,885,973	2.50%		5,022,149		13,183		5,035,332
2008		28,991,564		70,419,907		67,086,192		35,761,080		11,010,910		213,269,653	2.50%		5,331,741		12,253		5,343,994
2009		21,805,082		72,161,176		65,989,882		33,481,238		11,951,341		205,388,719	2.50%		5,134,718		10,127		5,144,845
2010		14,476,325		67,106,941		65,423,917		37,179,187		13,157,390		197,343,760	2.50%		4,933,594		6,062		4,939,656

Source: City of Newport, Department of Finance

CITY OF NEWPORT, KENTUCKY
DIRECT AND OVERLAPPING PAYROLL TAX RATES
Last Ten Fiscal Years

Fiscal Year	City of Newport	Overlapping Rates		Total Direct and Overlapping Rates
			Campbell County	
2001	2.50%		1.05%	3.55%
2002	2.50%		1.05%	3.55%
2003	2.50%		1.05%	3.55%
2004	2.50%		1.05%	3.55%
2005	2.50%		1.05%	3.55%
2006	2.50%		1.05%	3.55%
2007	2.50%		1.05%	3.55%
2008	2.50%		1.05%	3.55%
2009	2.50%		1.05%	3.55%
2010	2.50%		1.05%	3.55%

Overlapping rates are those of the county government that apply to individuals working in the City of Newport.

Source: City of Newport, Department of Finance

CITY OF NEWPORT, KENTUCKY
PRINCIPAL EMPLOYERS BY PAYROLL TAXES PAID
Current Year and Six Years Ago

Taxpayer	2010			2004		
	Payroll Taxes	Rank	Percentage of Total City Payroll Taxes	Payroll Taxes	Rank	Percentage of Total City Payroll Taxes
Newport Board of Education	\$ 359,477	1	7.28%	\$ 343,095	1	7.15%
Commonwealth of Kentucky	259,018	2	5.24%	193,400	3	4.03%
Trauth Dairy	249,999	3	5.06%	231,349	2	4.82%
Xanodyne	193,426	4	3.92%	-		0.00%
City of Newport	175,842	5	3.56%	188,347	4	3.92%
Baptist Covalescent Center	144,430	6	2.92%	143,594	5	2.99%
Campbell County Fiscal Court	143,693	7	2.91%	81,474	9	1.70%
Gerner & Kearns Co. LPA	102,501	8	2.08%	-		0.00%
Kroger	99,623	9	2.02%	-		0.00%
Newport Aquarium	98,200	10	1.99%	73,373	10	1.53%
Southern Graphics Systems	-		-	100,565	7	2.10%
Shire US Inc.	-		-	126,502	6	2.64%
Shire LLC	-		-	90,285	8	1.88%
	<u>\$ 1,826,210</u>		<u>36.97%</u>	<u>\$ 1,571,982</u>		<u>32.76%</u>

Note: The City cannot readily prepare this information based on nine years ago, and therefore has chosen to show current amounts compared to six years ago.

CITY OF NEWPORT, KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2001	\$ 1,265,081	\$ 1,177,149	93%	\$ 48,141	\$ 1,225,290	97%
2002	1,202,909	1,174,083	98%	24,413	1,198,496	100%
2003	1,206,485	1,168,940	97%	58,455	1,227,395	102%
2004	1,273,920	1,216,447	95%	53,434	1,269,881	100%
2005	1,353,162	1,308,432	97%	52,068	1,360,500	101%
2006	1,419,361	1,365,813	96%	58,846	1,424,659	100%
2007	1,464,359	1,406,823	96%	44,303	1,451,126	99%
2008	1,581,477	1,499,031	95%	58,542	1,557,573	98%
2009	1,663,587	1,613,350	97%	89,965	1,703,315	102%
2010	1,698,389	1,692,413	100%	46,585	1,738,999	102%

CITY OF NEWPORT, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2010

Total taxable assessed value	\$ 763,250,000
Debt limit (10% of total taxable assessed value)	76,325,000
Debt applicable to limit:	
Total debt applicable to limitation	24,910,000
Legal debt margin	<u>\$ 51,415,000</u>

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 42,582,976	\$ 45,695,420	\$ 46,718,807	\$ 49,334,342	\$ 62,189,038	\$ 63,882,200	\$ 65,813,500	\$ 68,623,000	\$ 76,185,000	\$ 76,325,000
Total debt applicable to limit	-	-	18,290,000	18,190,000	17,775,000	17,150,000	28,760,000	27,540,000	26,250,000	24,910,000
Legal debt margin	42,582,976	45,695,420	28,428,807	31,144,342	44,414,038	46,732,200	37,053,500	41,083,000	49,935,000	51,415,000
Total debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	39.15%	36.87%	28.58%	26.85%	43.70%	40.13%	34.46%	32.64%

8

CITY OF NEWPORT, KENTUCKY
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable				
2001	\$ -	\$ 3,140,088	\$ 5,719,943	\$ 55,780,000	\$ 19,164,400	\$	\$ 83,804,431	18.13%	\$ 4,916
2002	-	4,945,003	5,821,609	55,780,000	10,175,307		76,721,919	16.21%	4,500
2003	18,290,000	14,748,813	1,413,520	54,220,000	10,175,307		98,847,640	20.30%	5,798
2004	18,190,000	14,560,148	866,943	52,410,000	10,175,307		96,202,398	18.67%	5,643
2005	17,775,000	14,424,177	491,120	50,315,000	10,175,307		93,180,604	17.13%	5,466
2006	17,150,000	14,270,062	1,347,551	47,915,000	-		80,682,613	14.18%	4,733
2007	28,760,000	6,163,849	977,486	45,170,000	-		81,071,335	unavailable	4,755
2008	27,540,000	2,377,346	595,439	42,185,000	-		72,697,785	unavailable	4,264
2009	26,250,000	2,189,622	372,113	39,155,000	-		67,966,735	unavailable	3,987
2010	24,910,000	2,066,621	207,471	36,050,000	-		63,234,092	unavailable	3,709

CITY OF NEWPORT, KENTUCKY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	<u>Governmental Activities</u>		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds			
2001	\$ -		0.00%	-
2002	-		0.00%	-
2003	18,290,000		2.69%	1,073
2004	18,190,000		2.54%	1,067
2005	17,775,000		2.05%	1,043
2006	17,150,000		1.94%	1,006
2007	28,760,000		3.14%	1,687
2008	27,540,000		2.93%	1,615
2009	26,250,000		2.50%	1,540
2010	24,910,000		2.81%	1,461

CITY OF NEWPORT, KENTUCKY

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ⁽³⁾	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
School ⁽¹⁾	\$ 3,341,503	99.71%	\$ 3,331,783
County ⁽²⁾	\$ 22,975,000	13.45%	3,090,861
Subtotal, overlapping debt			6,422,644
City of Newport direct debt			27,184,092
Total direct and overlapping debt			\$ 33,606,736

Sources:

⁽¹⁾ Newport Board of Education

⁽²⁾ Campbell County Fiscal Court

⁽³⁾ The percentage overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the taxable assessed value that is within the City of Newport and dividing it by the county's/school's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Newport. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF NEWPORT, KENTUCKY

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Newport on the Levee										Water Works				
	Revenue Bonds														
	Net Revenue										Net Revenue				
	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Available for Debt Service	Principal	Debt Service Interest						Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Available for Debt Service	Principal	Debt Service Interest
2001	\$ 1,477,015	\$ 37,270	\$ 1,439,745	\$ -	\$ 5,849,094	0.25	\$ 2,961,333	\$ 2,219,098	\$ 742,235	-	\$ 411,734	1.80			
2002 ⁽³⁾	2,265,761	1,148,836	1,116,925	-	5,000,394	0.22	2,625,566	2,131,912	493,654	-	-	N/A			
2003	9,213,107	1,799,875	7,413,232	1,560,000	5,008,140	1.13	-	-	-	-	-	N/A			
2004	8,435,213	1,910,275	6,524,938	1,810,000	4,851,111	0.98	-	-	-	-	-	N/A			
2005	8,918,437	1,684,890	7,233,547	2,095,000	4,666,579	1.07	-	-	-	-	-	N/A			
2006	8,195,871	1,241,696	6,954,175	2,400,000	4,442,952	1.02	-	-	-	-	-	N/A			
2007	8,410,473	1,247,975	7,162,498	2,745,000	4,057,575	1.05	-	-	-	-	-	N/A			
2008	8,043,630	1,376,131	6,667,499	2,985,000	3,756,994	0.99	-	-	-	-	-	N/A			
2009	7,782,283	2,011,613	5,770,670	3,030,000	3,454,263	0.89	-	-	-	-	-	N/A			
2010	7,723,152	1,253,834	6,469,318	3,105,000	3,304,864	1.01	-	-	-	-	-	N/A			

(1) Total Revenues (including interest)

(2) Total operating expenses exclusive of depreciation

(3) The City sold the water system and paid off all debt

CITY OF NEWPORT, KENTUCKY
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Personal Income	Per Capita Income ⁽²⁾	Median Age ⁽³⁾	Newport Independent Public School		Unemployment Rate ⁽⁵⁾
					Enrollment ⁽⁴⁾		
2001	17,048	\$ 462,188,328	\$ 27,111	35.2	2,575		5.3%
2002	17,048	473,320,672	27,764	35.2	2,435		4.5%
2003	17,048	486,924,976	28,562	35.5	2,393		5.9%
2004	17,048	515,361,040	30,230	35.7	2,289		5.2%
2005	17,048	544,035,776	31,912	35.2	2,191		5.9%
2006	17,048	569,028,144	33,378	35.2	1,977		5.3%
2007	17,048	599,237,200	35,150	35.2	1,815		5.2%
2008	17,048	unavailable	unavailable	35.2	1,733		6.2%
2009	17,048	unavailable	unavailable	35.4	1,780		10.1%
2010	17,048	unavailable	unavailable	35.4	1,955		10.4%

⁽¹⁾ Census Bureau updated estimate and State Data Center

⁽²⁾ U.S. Department of Commerce Bureau of Economic Analysis

⁽³⁾ Tri-County Economic Development Corporation (Right Site Market Analysis)

⁽⁴⁾ Newport Independent School District

⁽⁵⁾ Bureau of Labor Statistics Data and KY Department for Employment Services

CITY OF NEWPORT, KENTUCKY
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Office of the City Manager	9	13	11	10	11	10	7	7	6	6
Finance & Administration	13	13	12	11	11	11	10	10	7	7
Public Safety										
Police										
Sworn	54	54	54	50	50	50	50	49	47	42
Civilian	10	13	4	5	7	6	4	4	4	4
Fire										
Firefighters & Officers	37	40	40	40	37	37	37	37	37	35
Civilian	1	1	1	1	1	1	1	1	1	1
Development Services										
Administration	-	-	-	-	-	-	3	3	3	2
Code Enforcement	7	8	8	6	6	7	4	4	4	4
Community Services										
Administration	-	-	-	-	-	-	2	2	2	2
Maintenance	12	13	16	15	15	15	14	14	13	12
Parks and Recreation	3	3	3	3	4	4	3	1	-	-
Water										
	12	13	-	-	-	-	-	-	-	-
Total	157	170	149	141	142	141	135	132	124	115

Source: Finance & Administration Department (Budget Documents)

CITY OF NEWPORT, KENTUCKY
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Physical arrests	3,569	4,079	4,159	3,985	5,059	3,374	3,807	3,736	3,408	3,626
Parking violations	5,594	8,791	7,908	9,942	10,962	10,094	10,102	8,363	10,827	8,336
Traffic violations	1,744	3,002	2,641	1,532	1,596	2,429	1,940	1,482	1,063	1,126
Fire										
Number of calls answered:										
Fire	943	1,066	1,103	1,133	1,155	1,222	1,431	751	1,581	1,493
Emergency Medical Services	2,959	2,307	3,014	2,822	3,033	3,195	3,576	4,201	3,400	3,311
Inspections	835	646	1,751	1,569	1,426	1,643	1,608	1,592	1,509	1,198
Highways and streets										
Street resurfacing (miles)	N/A	4.8	2.6	3.3	0.2	-	0.3	-	-	-
Potholes repaired	N/A	N/A	N/A	N/A	5,527	4,576	5,126	6,359	5,016	N/A
Culture and recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	315	340	275	280	302
Pool admissions	N/A	N/A	N/A	3,106	4,392	4,257	2,167	1,148	3,793	3,479
Pool passes	N/A	N/A	N/A	1,020	1,536	1,506	802	15	9	24
Facilities and services not included in this reporting entity:										
Education										
Number of elementary school instructors	133	105	93	95	92	81	91	87	84	82
Number of secondary school instructors	120	85	78	79	84	80	90	79	72	72
Water										
Number of service connections	6,142	6,142	5,974	6,354	5,925	6,240	6,090	5,940	5,750	5,093
Average daily consumption (thousands of gallons)	5,700	5,700	5,700	2,500	2,500	2,500	2,500	2,500	2,500	2,400
Sanitation										
Average daily sewage treatment (thousands of gallons)	30,000	30,000	35,000	35,000	35,100	35,200	35,200	35,200	34,600	35,880

CITY OF NEWPORT, KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	27	27	40	38	38	40	43	41	41	34
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Street (miles)	35	35	35	35	35	35	35	35	35	35
Streetlights	1,207	1,207	1,207	1,124	1,124	1,130	1,107	1,100	1,100	1,100
Culture and recreation										
Parks acreage	40.30	40.30	40.30	51.74	51.74	51.79	51.79	51.79	51.79	51.79
Parks	13	13	13	13	13	13	13	13	13	13
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	3	3	3	3	3	3	3	3	3	3
Ball fields	7	7	7	6	6	6	6	6	6	6
Facilities and services not included in this reporting entity:										
Education										
Number of elementary schools	3	3	3	3	3	3	3	3	3	3
Number of secondary schools	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	62.00	62.00	62.00	58.94	58.94	58.94	47.21	45.21	51.60	51.30
Fire hydrants	405	405	420	390	390	390	390	425	530	455
Maximum daily capacity (thousands of gallons)	10,500	10,500	10,500	10,500	10,500	10,000	10,000	10,000	10,000	10,000
Sanitation										
Contained sanitary/storm sewers (miles)	1,200	1,200	1,400	1,400	1,500	1,600	1,600	1,600	1,600	1,600
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Maximum daily treatment capacity (thousands of gallons)	45,000	45,000	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500

